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ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

WINNIPEG MAN.

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held
in the Legislative Buildings,
Winnipeg, Manitoba, on the
11th day of February, 1960

COMMISSION

Mr. M. A. MacPherson, Q.C.	Chairman
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Mr. F. W. Anderson Secretary

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Winnipeg, Manitoba,
Thursday,
February 11, 1960

---On commencing at 2.15 p.m.

THE CHAIRMAN: Order, please. Mr. Mauro?

MR. MAURO: The next submission, Mr. Chairman,
is on behalf of the Government of Manitoba, by the
Honourable George Hutton, Minister of Agriculture and
Conservation.

HONOURABLE GEORGE HUTTON, called

MR. HUTTON: Mr. Chairman and Commissioners,
I appreciate the opportunity of appearing before you,
along with my colleagues, to bring to your attention some
of the salient features of Manitoba's agricultural
industry as it is affected by the problems associated
with freight rates and freight rate structure.

In this brief I shall first deal with the
relationship between the transportation industry and
settlement of the province and the subsequent develop-
ment of the agricultural industry. This will be
followed by a short statement of the importance of
experimentation and research and the part it has
played in alleviating many of the most important
natural hazards involved in Manitoba's agriculture.
I will then examine the extreme importance of an
efficient transportation system which provides service
to all users on an equitable basis. Finally I will
offer suggestions pertaining to transportation and



1 agricultural development.

2 While the railway companies deserve a full
3 measure of credit for the part they have played in
4 developing our province there remain certain inequali-
5 ties and shortcomings in our transportation system which
6 adversely affect agricultural development.

7
8 DIRECT EXAMINATION BY MR. MAURO:

9 Q. Mr. Minister, with that introduction,
10 would you trace historically the settlement pattern
11 in the Province of Manitoba?

12 A. The tendency for routes to traverse
13 from east to west as opposed to from north to south
14 has persisted throughout all but the earlier years of
15 the history of the "white man's" settlement and develop-
16 ment of Manitoba. The junction of the Red and Assini-
17 boine Rivers has figured prominently in this history.
18 Hudson Bay's early significance depended principally
19 on its position as a stepping stone to the interior.
20 The junction of the main rivers in this area, the Red
21 and Assiniboine, naturally took on some importance as
22 a suitable place for provisioning canoe crews and
23 collecting cargoes of fur.

24 The significance of the river junction in-
25 creased with the arrival of Lord Selkirk's settlers
26 who relied extensively on river transportation. In
27 fact, until the first Mennonite settlers demonstrated
28 the possibility of successfully farming the open
29 prairie, agriculture was generally limited to narrow
30 strips of land bordering these two rivers.



1 Once the network of inland lakes and rivers
2 was explored, the relative importance of the northern
3 route to Hudson Bay soon diminished. At the time of
4 Confederation, access to the outside world consisted
5 mainly of three alternative routes; via Lake Winnipeg
6 to Hudson Bay; via Lake of the Woods to the Great
7 Lakes; and south to St. Paul and thence by rail to the
8 east. The latter route to the south carried the
9 largest volume of traffic, but the primitive Red River
10 carts and the freight canoes were soon unable to
11 provide adequate transportation. Railways were needed,
12 both to bring supplies to the settlers and to take out
13 agricultural products for southern and eastern markets.
14 It was rightly claimed that those states, south of the
15 international boundary, which already possessed railway
16 systems, were expanding in settlement and agricultural
17 development more rapidly than in Manitoba.

18 The first railway was completed in Manitoba
19 in 1878 and connected St. Boniface to Pembina and
20 St. Paul. Introduction of this and the subsequent
21 construction of the Canadian Pacific Railway was a tre-
22 mendous stimulant to settlement. Agricultural
23 settlement left the areas adjacent to rivers and
24 streams and developed the prairies in anticipation of
25 the railways. The main development of railways in
26 Manitoba was based upon a plan of east-west communi-
27 cation.
28

29 In 1896 a railways to Dauphin was completed
30 and did much to help settlement of that area. Six



1 years later, a second railway between Winnipeg and Port
2 Arthur, providing competition to the Canadian Pacific
3 Railway Company, was completed. Rather ironically,
4 construction of a line to Hudson Bay, the original
5 gateway into Manitoba, was not completed until 1931.

6 The settlement pattern in Manitoba has relied
7 very heavily upon the effective transportation systems
8 within the province. With the advent of railways the
9 prairies were settled; and, if the railway passed the
10 settlement, occasionally the village would be moved
11 bodily to the railway. As branch lines were built and
12 highways introduced, settlements grew up away from the
13 main railway lines and most of the virgin prairie was
14 eventually turned into productive farm land.

15 The original settlers came from the United
16 Kingdom and lower Canada. The Selkirk and St. Boniface
17 settlements are now well known for their long struggle
18 to survive. By 1823 the total number of settlers in
19 Manitoba was about 1,500. Lack of good transportation
20 facilities prevented any great increase in numbers and
21 by 1870 there were still only some 12,000 people in the
22 province. In order to encourage settlement the Dominion
23 Government passed the "Homestead Act" in 1872. The
24 prospect of 160 acres of almost free land encouraged
25 a large number of eastern Canadians to make the long
26 trip to Manitoba via St. Paul. Successful settlement
27 of the open prairies followed rapidly.

28 Completion of the Canadian Pacific transcontinent-
29 al railway was largely responsible for the increase in
30



1 population from 62,260 in 1881 to 193,425 in 1896.

2 The steady flow of English, Eastern Canadians and
3 farmers from the United States continued year after
4 year. By 1901 there were 255,000 people in Manitoba;
5 five years later the figure had reached 366,000. This
6 rapid increase came to an end with the beginning of
7 the First World War and since then, Manitoba's popu-
8 lation has increased at a variable, but generally slower
9 rate.

10
11 Q. Mr. Minister, you have traced the
12 settlement pattern in Manitoba historically and the
13 role played by transportation in the development of
14 that settlement pattern. What was the next phase in
15 the development of the agricultural industry in Manitoba?

16 A. Self sufficiency of Manitoba's pioneer
17 farmers did not entirely preclude the formation of
18 certain specialized processing plants. Earliest of
19 these secondary industries was the local flour mill.
20 It was first envisaged as a plant serving purely
21 local needs. With the growth of agriculture and more
22 particularly expansion of the wheat acreage, production
23 of grain soon outstripped local demand.

24 The resulting surplus grain could be handled
25 in two ways. It could be exported as such, or
26 alternatively, it could be processed into flour with
27 an associated reduction in volume. Initially, with
28 limited transportation facilities, there was con-
29 siderable emphasis on moving grain in the form of
30 flour. In recent years, from 60 to 70 per cent of



1 Manitoba's output of flour has been exported from the
2 province.

3 Difficulty encountered in disposing of grain
4 together with the settlers' previously acquired knowledge
5 of animal husbandry led to a slow but steady increase in
6 livestock numbers. This in turn eventually led to surplus
7 production over and above the needs of individual farmers.
8 With the growing population, an increasing proportion of
9 which was not connected with farming, a need arose for
10 "processed" food products. For meat, this demand was
11 originally met by local butchers, but it was inevitable
12 that as the market expanded, large central slaughtering
13 plants would be built.

14 In 1898, a pork packing plant was established in
15 Winnipeg. From this small beginning the meat packing
16 industry steadily expanded. The extensive St. Boniface
17 stockyards were completed in 1913, and by 1939 the value
18 of output of the meat packing industry was some 20 per
19 cent of all manufacturing production in Manitoba. During
20 the war years the percentage share increased, but by 1952
21 it had returned to around the 20 per cent mark.

22 Q. In your opinion, Mr. Hutton, is the
23 operation of the meat packing industry in Canada dependent
24 on transportation for a continued efficient production?
25

26 A. Yes, it is. A great deal of the expansion
27 of Manitoba's meat packing has depended on supplies
28 of cattle from outside the province. In this respect
29 it is especially dependent on livestock shipments from
30 Alberta and Saskatchewan. This west to east movement is



1 continued after processing when about 50 per cent of
2 the meat is exported from the province. It is expected
3 that with greater numbers of livestock on prairie farms,
4 this movement of meat, via Winnipeg to the east, will
5 be intensified.

6 Early in Manitoba's agricultural history, it was
7 realized that a farm economy based exclusively on wheat
8 would be anything but sound. As already mentioned
9 cattle soon made an appearance and not surprisingly
10 dairying became an integral part of many farmers' opera-
11 tions.

12 The first cheese factory in Manitoba was
13 established in Stonewall in April, 1882. (Fifty years of
14 Dairying in Manitoba, Manitoba Department of Agriculture,
15 Winnipeg, January 1935.) Three years later the Wakopa
16 Creamery Association, in Southern Manitoba, was organi-
17 zed. By 1888 there were 24 cheese factories and 4
18 creameries in operation. In 1889 the first shipment
19 of butter was exported from Manitoba to England and in
20 the following year butter was sold on the Japanese
21 market.

22 For many years due to the harsh winters the
23 poultry industry was confined to summer production;
24 with the adoption of mechanized production techniques,
25 poultry and egg production has become an important
26 source of agricultural income.

27 One of the crops more recently introduced into
28 Manitoba is sunflowers. It was first grown on a com-
29 mercial scale in Canada in 1943 as a result of Government
30



1 promotion encouraging greater production of oil bearing
2 seeds.

3 Another cash crop which has greatly increased
4 in popularity over the last twenty years is sugar beets.
5 Again acreage planted has expanded rapidly after estab-
6 lishment of a processing plant. In the first year of
7 operation, the factory contracted with some 1,100 far-
8 mers who grew approximately 90,000 tons of beets. In
9 1958 an estimated 196,000 tons were grown.
10

11 In 1924 the first canning company went into
12 operation. Canning and processing of locally grown
13 vegetables has only recently become of economic signi-
14 ficance, with current gross farm income for such crops
15 of over one million dollars. Presently there are two
16 vegetable canning plants and two processors, obtaining
17 produce from approximately 4,000 acres. Several other
18 companies have recently investigated the feasibility of
19 opening such plants in this province.

20 Q. Mr. Minister, from what you have told us
21 it is apparent that agriculture in Manitoba is a highly
22 diversified industry. What is the primary function
23 of transportation in the development of this industry?

24 A. In most instances commodities are prod-
25 uced in surplus to provincial requirements. These
26 surplus commodities must be transported to distant
27 markets and the materials and supplies required by
28 farmers for their production must be brought in from
29 distant sources of supply.

30 Q. Mr. Minister, you have described the



1 historical development of the industry in Manitoba and
2 the part that transportation played in determining
3 ultimate cost and revenue to the producer. Could you
4 explain to the Commission what part other groups are
5 playing in this attempt to improve production and thereby
6 reduce unit costs for farm production?
7

8 A. No industry can show continued progress
9 without a sustained programme -- without a maintained pro-
10 gramme of experimentation and research. Agriculture is
11 no exception to this rule. Research work in this field
12 has been largely carried on by universities, federal and
13 provincial governments and by farm people themselves.

14 Farmers today are receiving an ever decreasing
15 margin of profit. To combat this, the university is play-
16 ing a vital role in helping to reduce expenses and in-
17 crease agricultural output. In doing so, it assists
18 farm people to achieve a higher standard of living and
19 helps them to develop a more prosperous and productive
20 industry.

21 From their inception Canadian universities and
22 agricultural colleges have played a major role in the
23 research, teaching and extension of agricultural science.
24 As far back as 1913 the then newly-formed Manitoba
25 Agricultural College moved to Fort Garry, four miles
26 south of the City of Winnipeg, to allow more space for
27 demonstration plots and other experimental work. It
28 is difficult to enumerate the contributions that research
29 and experimentation by the Faculty of Agriculture,
30 University of Manitoba, have made in developing



1 agriculture in Manitoba and other areas of Canada and
2 in the United States. Valuable research has been
3 carried out in the fields of plant science, agricultural
4 economics, agricultural engineering, soil science, and
5 animal science.

6 Federal and Provincial Government Departments
7 have also contributed greatly to the development of
8 Manitoba's agriculture. The agricultural representa-
9 tive system of the Manitoba Department of Agriculture
10 was launched in 1915 with the placement of seven men
11 in rural areas of the province. They advised farmers
12 as to better farming methods and encouraged the use of
13 recommended varieties. Today, extension personnel
14 supplemented by a competent staff of specialists are
15 located in thirty-five districts throughout the Province.

16 For many years Manitoba and Eastern Saskatche-
17 wan wheat crops were subject to periodic losses from
18 stem rust. It has been established (Peterson, R.F.
19 "25 Years of Progress in Breeding New Varieties of Wheat
20 for Canada," Empire Journal of Exp. Agric. Vol XXVI
21 #102, April 1958) that in 1954 this disease reduced
22 the Canadian wheat crop by 135 million bushels. The
23 Canada Department of Agriculture Research Station in
24 Winnipeg worked for many years developing a variety of
25 rust resistant wheat. The variety Selkirk, licensed
26 in 1953, was the result of this research. Its distri-
27 bution to farmers in the affected area resulted in
28 better crops together with more consistent yields. More
29 recently two new varieties Pembina and Canthatch have
30



1
2 been introduced.

3 In addition to research on wheat, varieties
4 of oats developed at the Winnipeg Research Station
5 have included Vanguard, Ajax, Exeter, Garry, Rodney and
6 Victory. This development has kept pace with the
7 demands of farmers undertaking a diversified pro-
8 gramme of agricultural production featuring live-
9 stock and poultry feeding.

10 There are two Canada Department of Agri-
11 culture Experimental Farms in Manitoba. The Brandon
12 farm has done extensive experimentation on weed
13 control, crop rotations and cereal varieties,
14 while the Morden farm, situated in the highly pro-
15 ductive "Pembina triangle", concentrates on
16 problems connected with horticultural and vegetable
17 crops.

18
19 In several instances the foresight and re-
20 sourcefulness of Manitoba farmers have provided the
21 initiative in solving specific agricultural pro-
22 blems. Especially significant is the contribution
23 of Malcom S. J. McMurachy to the development of
24 Selkirk wheat. (Peterson, R. F. Ibid).

25 And I would just like to say here, Mr.
26 Chairman and gentlemen, that sometimes today we hear
27 some ill-founded criticism directed at the efficiency
28 of the farmers of Canada and western Canada, in
29
30



1 particular, and I would like to take this opportunity
2 to point out to you that on the basis of percentage
3 increase in production per man-hours that the farmer is
4 away in the lead in the years from 1946 to 1957; whereas
5 he showed an increase of 48 per cent, the other indus-
6 tries combined showed an increase of productivity per
7 man-hours of 39 per cent. And if we want to put them
8 in the order of their merit on this measure as a yard-
9 stick, agriculture comes first; manufacturing, second;
10 financing and insurance, third; services, fourth;
11 and transportation, fifth.

12 Q. And just because I am sure that some of
13 the members of the Commission, Mr. Minister, and par-
14 ticularly Mr. Commissioner Anscomb, must wonder, having
15 experienced this weather in the last few days, whether
16 anything could grow in this climate, I understand just
17 this past summer we have started to do some experimental
18 work in Manitoba with tobacco, which was considered a
19 semi-tropical plant?

20 A. That is correct.

21 Q. And those experiments are, again, I under-
22 stand, proving successful, and will be another source of
23 diversification?

24 A. Up to this point, and they will be con-
25 tinued.
26
27 -
28
29 -
30



1 Q. Mr. Minister, I would ask you now to
2 comment briefly on the importance of transportation
3 for the future development of agriculture in Manitoba,
4 and particularly the importance of the Crow's Nest
5 Pass grain rates in that development?
6

7 A. It has been stated that a cheap and
8 extensive network of communications is the greatest
9 blessing which any country can have from an economic
10 point of view. (Lewis, W. A., The Theory of Economic
11 Growth, George Allan and Unwin Ltd., 1955.) This
12 very important principle was recognized by the Govern-
13 ment of Canada in its contract with the Canadian
14 Pacific Railway in 1897 for the construction of the
15 rail line through the Crow's Nest Pass between Leth-
16 bridge, Alberta, and Nelson, British Columbia.

17 The Crow's Nest Agreement is, in the opinion
18 of the Province of Manitoba, a solemn obligation
19 entered into by the Dominion Government on the one
20 hand, and the Canadian Pacific Railway on the other.
21 Pursuant to the agreement the Canadian Pacific Railway
22 received valuable consideration in actual money re-
23 ceived, land grants made available, and subsequent
24 freight traffic by reason of their monopoly position
25 in southern Alberta and the Kootenays.

26 In return the Government of Canada received
27 the undertaking of the Canadian Pacific Railway to
28 reduce rates on various commodities, both eastbound
29 and westbound.

30 From 1898 to 1918 the Crow rate on grain and



1 flour was in effect for approximately three years.
2 During the balance of that period the rates had been
3 voluntarily reduced below the level set out in the Crow's
4 Nest Agreement, due to the Manitoba Agreement of 1902.

5 From 1918 to 1925 the Crow's Nest Agreement
6 was suspended and the rates rose above the level estab-
7 lished under the agreement. Then in 1925 Parliament
8 varied the terms of the agreement by suspending the
9 rates on westbound commodities. As a result the western
10 farmer lost a most important benefit. Costs of trans-
11 portation on the many essential commodities which he re-
12 quired for settlement and development were no longer fixed.

13 By way of compensation for this loss the
14 terms of the Crow's Nest Agreement on eastbound grain and
15 flour were made applicable to all lines of the Canadian
16 Pacific Railway west of Fort William.

17 At the time that the Crow agreement was negotia-
18 ted the price of No. 1 Northern wheat at Fort William
19 was 99 cents per bushel and the rate from Winnipeg fixed
20 under the agreement was 14 cents. At the time that the
21 rates were reinstated in 1925, the price of wheat was
22 \$1.69, and the rate of 14 cents from Winnipeg to Fort
23 William was deemed to be a fair and reasonable rate by all
24 parties concerned. Within five years the price of wheat
25 had dropped to 60 cents per bushel and subsequently
26 as low as 54 cents, and even 30 cents per bushel.
27 During this entire period the Canadian Pacific Railway
28 made no suggestion that the rates on export grain be
29 reduced to reflect the reduced value of the commodity --
30



1 rather the rates fixed by the agreement were kept at
2 the maximum. In fact, sir, except for the years 1937
3 and 1938 the price of wheat did not return to the 1897
4 level or higher until 1943. But even today the price
5 quoted for No. 1 Northern Fort William as of January
6 30, 1960 is \$1.66 or 3 cents below the level of 1925
7 when the rates were reinstated. On the other hand,
8 the rates on inbound commodities have taken all of
9 the increases permitted by the Board of Transport Com-
10 missioners. In short, Mr. Chairman, while the pro-
11 ducer has continued to pay a rate on movement of grain
12 which is proportionately greater on a value of com-
13 modity basis than it was in 1925, he has also been re-
14 quired to pay ever increasing amounts on his other
15 goods and materials. In view of these facts it is
16 difficult for the Manitoba grain grower to accept the
17 contention that he has been the recipient of incalculable,
18 and as stated by one railway witness, "unfair" benefits
19 from the maintenance of these agreed rates.
20

21 Certainly when grain prices were at an all time
22 low and the operating costs of the railways were propor-
23 tionately low the railways regarded this agreement as
24 binding. The Province therefore must insist that
25 this agreement is equally binding now.

26 Q. But in the scheme suggested by the rail-
27 ways there would be no increase to the farmer in the
28 cost of moving his grain to export points?

29 A. That is true, Mr. Mauro.

30 It is our considered opinion that a wrong



1 principle does not become right by "painless" applica-
2 tion. The grain producer in Manitoba does not want
3 a subsidy on the movement of grain because the present
4 rates are, in fact, a fair rate both for the railways
5 and the shipper. Further, the Manitoba producer con-
6 tends that he is at present making a disproportionate
7 contribution to the revenues of the railways on the
8 basis of per capita freight costs in Canada. In short,
9 Mr. Chairman, we submit that the present rates are:

- 10 1) part of a binding agreement;
- 11 2) fair and reasonable when compared with
- 12 certain rates voluntarily introduced
- 13 by the railways.
- 14

15 If in fact for other reasons the railways need
16 a subsidy the Province of Manitoba strongly contends
17 that this subsidy is in no way necessitated by prairie
18 agriculture or the movement of western grains.

19 We would also submit that the total contri-
20 bution to railway revenue by the Manitoba producer, in-
21 cluding the grain rates, is higher per capita than in
22 other regions.

23 The Province of Manitoba, as indicated in
24 the Premier's submission to this Commission, further
25 contends that there are other aspects of the Canadian
26 Railway transportation situation, in addition to the
27 Crow's Nest grain rates, which require consideration.

28 The economy of the prairie region historically
29 has been and will long continue to be closely linked
30 with agriculture. The very nature of agricultural



1 production is such that virtually every product is
2 produced in surplus. In wheat and other grains, in
3 livestock and livestock products, (including dairying),
4 Manitoba's production pattern is largely based on sale
5 outside the province, both in other parts of Canada
6 and in other countries. Manitoba farmers must sell
7 on these markets at a price which competes with prices
8 of other sellers on the international market. Con-
9 sequently, the return to the producer is determined
10 almost entirely by the world price less the cost of
11 transportation to market.

12
13 In the three prairie provinces there are 2.96
14 million people living in an area which for many years
15 was almost exclusively devoted to the production of
16 primary agricultural products for sale in world markets.
17 In the postwar years there has been an increasing amount
18 of diversification, but it is still fundamentally true
19 that the prosperity of the prairie region is directly
20 proportionate to the prosperity of agriculture. The
21 markets for surplus agricultural commodities are in
22 Eastern Canada, in Europe and in the Eastern United
23 States. The shipment from western farms to these
24 markets requires transportation over distances which
25 are measured in thousands of miles and which are
26 probably greater than the distances involved in the
27 transportation to market of the products of any other
28 comparable area in the world. For example, the
29 distances from Brandon, the largest centre in Western
30 Manitoba, are as follows: To Vancouver 1,340 miles



1 to Montreal 1,492 miles; to Halifax 2,332 miles.

2 Q. What is the transportation position, Mr.
3 Minister, of our major competitors in these traditional
4 markets of the Manitoba wheat grower?

5 A. Our two great competitors on the wheat
6 markets of the world are Australia and Argentina. In
7 both those countries the rail haul to seaboard is short
8 as compared to our rail haul. It is true that total
9 distances from the United Kingdom's market are greater
10 than in our case, but the fractions of these distances
11 which are made up of ocean mileage are considerably
12 greater. In those shipments by ocean transport,
13 Argentina and Australia have the advantage of the lower
14 costs involved and, in addition, the competition among
15 shipping firms protects them against unreasonably high
16 rates. With us, the importance of the rail haul is much
17 greater, and it is in that part of the total distance
18 that we feel that steps are needed to prevent the rail-
19 ways from increasing rates on carriage to seaboard.

20 Q. You have described the impact of high
21 freight rates from the viewpoint of keeping our produce
22 at competitive levels; what part do these rates play
23 from the viewpoint of commodities required by the
24 producer?

25 A. In the case of supplies for agricultural
26 production or for the personal needs of farmers and
27 others living in Western Canada, the transportation
28 problem is of almost equal magnitude. The vast majority
29 of those supplies must be brought great distances, either
30



1 in the form of raw materials or of finished products,
2 usually from Eastern Canada, the United States or abroad.

3 For example, according to a study of 66 farms
4 in the Carman area (by the university) the average total
5 expenses for 1948 for 21 grain farms was approximately
6 \$12,000.

7 Three-quarters of this total was directly
8 affected by the freight rate. The same situation
9 applied to the livestock farmer (20 farmers) who had
10 average expenses of \$15,750, 85 per cent of which was
11 directly affected by freight rates. Two-thirds of
12 the expenses of the mixed farmer (25 farmers) was
13 directly affected by the freight rate.

14 Further, the farmer is subject to freight
15 rates on roughly half of his household and personal
16 expenditure.

17 This, we must remember, is in addition to the
18 freight which the farmer pays on the products he sells
19 on the market.

20 The available statistics indicate that the
21 transportation cost to the people of this area per
22 capital is very much greater than the average for
23 Canada as a whole. In Manitoba the cost of transpor-
24 tation is very much greater per capita than the
25 Canadian average because of the long distances and
26 because of the fact that on both our shipments out
27 and our shipments in, the people of this region are
28 required to bear the bulk of the transportation costs on
29 the heavy tonnage involved. This situation has been
30



1 aggravated by the practice of awarding freight rate in-
2 creases on a horizontal percentage basis.

3 In spite of this I think that an estimate of
4 the transportation bill with which the prairies will be
5 faced can be obtained by using the per capita figures
6 for the estimated cost of for-hire intercity transporta-
7 tion in Canada as a whole. On this basis the share
8 borne by the prairies will amount to approximately \$356.5
9 million (on the basis of 1958 population figures). An
10 amount equivalent to 3.2 times the estimated net general
11 expenditure for the Province of Manitoba for the year end-
12 ing March 31, 1960. (Financial Statistics of Provincial
13 Governments, DBS Catalogue 68-205, p. 6.)

14 Forecasts of Manitoba's agricultural production
15 in the next twenty years indicate a large potential in-
16 crease in the relative importance of livestock and live-
17 stock products. (Brief to the Royal Commission on
18 Canada's Economic Prospects, Manitoba Department of
19 Agriculture, 1958.) While it is not expected that grain
20 growing will experience any absolute decline, expansion
21 of output will probably be directed more towards the live-
22 stock side of the agricultural industry and towards the
23 production of special crops.

24 A high transportation rate for products moving
25 from one province to another is similar in effect to a
26 tariff charged on products moving between countries.

27 The question will inevitably arise as to why
28 the Manitoba farmer is turning away from a system of
29 farming emphasizing grain production. Undoubtedly, it
30 is an enterprise in which the prairie provinces enjoy



1 their greatest comparative advantage. With no impor-
2 tant exceptions these provinces can market grain any-
3 where in the world at free competitive market prices
4 which are lower than those of any competing countries.
5 I say this in spite of the relatively high transpor-
6 tation charges. However, even at this lowest price
7 it has been found impossible to dispose of all the
8 grain produced. Manitoba and the other prairie
9 provinces have found that the obvious and only solution
10 is to move into other enterprises in which they possess
11 a high comparative advantage. It is this reason
12 that has motivated the move away from grain into the
13 production of other agricultural products which
14 require access to both national and regional markets.
15 Transportation at low cost is therefore essential to
16 the implementation of the programme for diversifying the
17 agricultural industry in Manitoba.

18 Q. What of the effect of transportation
19 costs on the net return received by the farmer for
20 the sale of his produce?

21 A. In recent years Manitoba's farmers have
22 been faced with a continuous decline in most agricultur-
23 al prices and an equally persistent increase in factor
24 of production costs. Any measure that encourages or
25 accentuates these trends adds to the difficulties of
26 the agricultural industry in the province.

27 Another factor which is of great concern to
28 agricultural producers is the tendency for the freight
29 rate structure to be based so completely on differential
30



1 pricing with the result that shippers of similar pro-
2 ducts are not treated equitably. For example, it is
3 cheaper to ship certain goods from Brandon to Winnipeg
4 and then to Yorkton, Saskatchewan than it is to ship
5 the same goods directly from Brandon to Yorkton. While
6 it may be true that factors other than distance to
7 destination should properly be included in establishing
8 freight rates, the method of determining the rates
9 should be sufficiently standard as to ensure fair and
10 equitable freight rate charges for all producers.

11 Q. Mr. Minister, I think that the views of
12 the Government of Manitoba in this field of agriculture
13 would be of interest and, I am sure, of assistance
14 to this Royal Commission; with that in mind, could
15 you present to the Commission a general policy state-
16 ment regarding agricultural development in Manitoba,
17 and also signify the function of equitable freight
18 charges in the implementation of that policy?
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1 A. The farmers of Western Canada will be
2 called upon to further develop their industry to produce
3 an abundance of high quality food at low cost. There
4 is no doubt that they will do so in the future as they
5 have in the past. Indeed, it is in the public
6 interest that the economic climate is such that they
7 can in fact do so.

8 We in Manitoba are acutely aware of the im-
9 portance of maintaining the growth and efficiency of
10 the agricultural industry. Some of the more important
11 legislative and policy steps taken by the Government
12 of Manitoba have been:

- 13 a) the establishment of the Manitoba Agri-
14 cultural Credit Corporation which in less
15 than a year of operation has extended
16 approximately four million dollars in long-
17 term credit to farmers in an effort to
18 help our producers to adjust their opera-
19 tion in accord with changing economic con-
20 ditions;
- 21 b) the establishment of The Manitoba Crop In-
22 surance Agency which is currently preparing
23 to provide crop insurance in three test
24 areas in the province;
- 25 c) a complete reorganization of the secondary
26 school system which provides greatly im-
27 proved educational facilities for rural
28 young people;
- 29 d) the establishment of bursaries for young men
30



- 1 planning careers in agriculture;
- 2 e) the formation of an extensive advisory ser-
- 3 vice including agricultural representatives
- 4 and specialists in various fields. (The
- 5 Specialists have recently been increased to
- 6 include farm management and rural sociology);
- 7 f) the establishment of a new branch in the
- 8 Department of Agriculture which is concerned
- 9 with the development of Manitoba's water
- 10 resources and the conservation of land.

11 It is obvious that the creation of favour-

12 able agricultural economic conditions requires legis-

13 lative and policy decisions far broader than those

14 involving railway transportation, but as indicated

15 earlier in this submission, an efficient transportation

16 system is essential to a high level of prosperity in

17 the agricultural industry.

18 We have indicated how Manitoba's agricultural

19 industry is affected by freight rates. It is there-

20 fore respectfully submitted that consideration be given

21 by this Commission to recommend such changes in the freight

22 rate structure that will ensure that agricultural pro-

23 ducers across the nation are given equitable treatment.

24 The Government of Manitoba is also of the view that

25 agricultural producers should not be required to bear

26 any portion of railway traffic charges arising from

27 deficits incurred by the railways in serving other

28 segments of the economy.

29 MR. MAURO: Thank you very much, Mr. Minister.

30



1 I would ask you now to answer the questions of the
2 Commissioners and learned counsel.

3
4 CROSS-EXAMINATION BY MR. COOPER:

5 Q. Mr. Hutton, I am sure that this Commis-
6 sion is very much interested in the future development
7 of agriculture in the province and the plans which you
8 may have for such future development, and I wish in
9 that connection to refer, first, to page 11 of your
10 precis of evidence where you refer, in paragraph 56,
11 to the establishment of the Manitoba Agricultural Credit
12 Corporation, "which in less than a year of operation
13 has extended approximately \$4 million in long-term
14 credit to farmers in an effort to help our producers
15 to adjust their operation in accord with changing
16 economic conditions."

17 Would you mind enlarging, if you will, Mr.
18 Hutton, on those words, "in an effort to help our pro-
19 ducers to adjust their operation in accord with
20 changing economic conditions." Does that indicate
21 a switch or change from one type of agricultural
22 production to another, or what?

23 A. Well, this is a very long story; it
24 started back in the Roman Empire. I doubt if you would
25 want to stay here ---

26 Q. Well, not all the way up from the Roman
27 Empire. Perhaps we could start at a little later date,
28 say, post World War II?

29 A. I think that if the gentleman won't mind
30 -- and I don't think he will -- I would like to put this



1 in the words that I heard Dean Weir, the Dean of our
2 Faculty of Agriculture at the University of Manitoba,
3 use to describe the conditions today, and he said that
4 if you took a man who had lived five thousand years ago
5 and you transplanted him through time to the last
6 century he would not have found himself too much out of
7 place, but if you were to bring him up to the conditions
8 he would find today on the farming community, he would
9 be unable to adjust himself. Or, to put it another way,
10 if you took the whole history of mankind and compressed
11 it into a period of 24 hours, agriculture would have
12 made greater strides in the last three seconds of that
13 24-hour period than at any time in its history, or,
14 more would have taken place in agriculture, more
15 changes in agriculture, in the last three seconds of
16 that 24-hour period than in all the rest of that time
17 put together. So there is, I think, a great need
18 for adjustment, but I also pointed out in the brief that
19 the farmers have, more than any other group of society,
20 taken advantage of the improvements in technological
21 and scientific findings of the last generation.

22 Q. Well, your statement, "in an effort to
23 help our producers to adjust their operation in accord
24 with changing economic conditions" suggests to me, first,
25 that there is a necessary adjustment to be made. Now,
26 in what field is that -- in the provision of new and
27 improved machinery, in changing from one crop to another,
28 in changing from grain to livestock, or where is it?

29 A. Well, size of operation is one of the
30



1 major changes. The farm business that supported a man
2 very well in terms of thirty years ago, or even twenty
3 years ago, does not support a man and cannot support
4 a man in terms of presentday living conditions.
5 Therefore, there must be an increased productivity
6 on the part of that farmer, which he can carry out in
7 a number of ways. He can do it by a horizontal
8 growth in his business, or he can do it by a vertical
9 growth in his business; that is to say, he could
10 purchase more land, and, on the other hand, he could
11 build a bigger barn.
12

13 Q. If he wants to do either of those things,
14 or both of them, is that what this credit corporation
15 is for -- to assist him?

16 A. That is correct.

17 Q. Is it also to assist him in shifting
18 from one form of production to another, in the sense
19 of one product to another?

20 A. He may have put his emphasis on grain
21 production in the past and may want to shift it to
22 the production of livestock or poultry, or special
23 crops, or something of that nature.

24 Q. And if he needs assistance in that
25 regard, the Manitoba Agricultural Credit Corporation
26 is there to help him?

27 A. That is correct.

28 Q. By way of long-term loans, I take it?

29 A. That is right.

30 Q. I believe you stated generally in your



1 brief that there has been a trend from grain production
2 to livestock production?

3 A. Yes.

4 Q. Does that imply any decline in the
5 acreage devoted to the growing of grain?

6 A. I would not want to put it that way.
7 Truly, we are growing different types of crops. The
8 farmers are accepting today different rotations in crops
9 than they have in the past, and the emphasis is changing,
10 but I don't think that the total acreage -- well, our
11 total wheat acreage is down, but this has been in
12 response to market demands for wheat. There is some
13 shift, but not a marked shift. It is the general
14 utilization of the land that is changing.
15

16 Q. But you don't expect any decline in the
17 acreage devoted to the growing of wheat -- at least, no
18 voluntary decline on the part of the farmer?

19 A. Well, the farmer, like everyone else,
20 tends to respond to conditions around him, and I can't
21 speak for Mr. Farmer.

22 Q. Well, in any event, there has
23 been no decrease in acreage devoted to grain recently?

24 A. There has been some in wheat.

25 Q. Except such as is necessitated by market
26 conditions?

27 A. And more emphasis on coarse grains.

28 Q. On page 8, paragraph 44, you refer to
29 the production pattern of Manitoba and you say in the
30 last sentence of that paragraph, "Consequently the return



1 to the producer is determined almost entirely by the
2 world price less the cost of transportation to market."
3 Are you referring only to grain there? You have
4 mentioned in the first part of that paragraph livestock
5 and livestock products as well as wheat, and to other
6 grains?

7 A. Well, in its most important aspect it
8 applies to grain for export. There is another respect
9 in which it is also true: I think we all realize today
10 that with the removal of the embargo on American pork
11 that the American price for pork is certainly going to be
12 a very definite factor in determining the price of pork
13 that our producers are going to receive in Canada.

14 Q. It is only for the purposes of clarification
15 that I am asking that.

16 A. Well, the extent to which the international
17 price determines our price of products here at home is,
18 naturally, governed by the percentage of our crops sold
19 on the international market. Take, for instance, our
20 wheat: here the bulk of our sales has to go on the
21 export market. But, take our livestock: these vary;
22 they may vary from 10 per cent to nothing going on the
23 world market.

24 Q. Therefore I should think it is perhaps fair
25 to say that your reference to the world price there refers
26 to grain, I suppose?

27 A. Not entirely. As I pointed out, on pork
28 products and beef products -- but it varies.

29 Q. You mentioned productivity of man-hours in
30



1 agriculture as contrasted with man-hours in industry. I
2 didn't quite hear as to whether or not you had given the
3 source of those figures?

4 A. I took my figures from the Bank of Com-
5 merce Commercial Letter of the 4th of August, 1959, and
6 I believe those figures are supported by the findings
7 of the Gordon Commission.

8 Q. I have asked other witnesses here for
9 their views on the feed grain assistance policy, and
10 perhaps I could put that question to you, Mr. Hutton,
11 as to whether you consider the feed grain assistance
12 policy of benefit to farmers in Manitoba?

13 A. I don't think it is nearly the benefit it
14 is to those in Ontario. I think it is questionable
15 here in Manitoba.

16 Q. You would consider, perhaps, in so far
17 as Manitoba is concerned, it might very well be discon-
18 tinued?

19 A. Well, I have never considered that aspect.

20 Q. But, in any event, in your view it is of
21 greater assistance to those in Ontario than in Manitoba?

22 A. Well, it was introduced during wartime
23 to assist the farmers in Ontario and Quebec and on the
24 coast to carry out a programme that was definitely needed
25 at that time.

26 MR. COOPER: That is all I have, thank you
27 very much.
28
29
30



1 CROSS-EXAMINATION BY MR. DICKSON:

2 Q. Mr. Hutton, I think the interests I repre-
3 sent, the Northwest Line Elevator Association, would
4 subscribe without qualification to everything which you
5 have stated in this brief which, if I may say so, sir,
6 maintains the high standard set by the Prime Minister
7 of the province. There is just one question I should
8 like to ask of a general nature, and it arises out of
9 a statement made on page 11 with reference to the estab-
10 lishment of bursaries for young men planning careers in
11 agriculture, and the question I would like to ask is
12 whether there is any shortage at the present time of
13 young men desiring to make a career in agriculture in
14 the prairies?
15

16 A. We had an acute shortage in the past. I
17 am glad to say that our programme of bursaries is having
18 the desired effect and that we are attracting or giving
19 an opportunity, I think is a better way of putting it --
20 giving an opportunity to those young people who have the
21 qualifications, and who desire to go into agriculture.

22 Q. And you feel that acute shortage is being
23 relieved by these measures?

24 A. Well, in so far that in our first year--
25 and I stand to be corrected -- I think our first year
26 enrolment was sixty, this year, and I believe in the past
27 it was down to thirteen. So, it has increased by four
28 times. Therefore, I think we are going in the right
29 direction.

30 Q. Would the shortage be attributable, in part,



1 to perhaps the higher financial rewards available in
2 industry and other pursuits?

3 A. There is no doubt about that, that at one
4 time this was a determining factor.

5 Q. In draining your young men from the farms?

6 A. Yes.

7 MR. McDONALD: Mr. Hutton, I just wish to
8 compliment you on your very excellent presentation, and
9 I have no questions.

10 MR. HUTTON: Thank you.

11
12 CROSS-EXAMINATION BY MR. SINCLAIR:

13 Q. Mr. Hutton, for your information I might
14 say that there is an acute shortage of barristers in
15 this country, and if we stay here very much longer the
16 shortage will be even greater. Manitoba has quite a
17 reputation for being a place where people work hard, and
18 I think this Commission has certainly lived up to that
19 tradition in that regard: would you agree with that?

20 A. Yes, I would.

21 Q. Mr. Hutton, there is no better place in
22 Canada, in your view, than the area immediately west of
23 Winnipeg and north on the Canadian Pacific Arborg line
24 to about Gunton?

25 A. That is a pretty good country.

26 Q. Well, now, in that territory there are
27 some of the older settlements, and in addition to mixed
28 farming, grain farming, there is also some industry,
29 namely, a long-established quarry at Stonewall?

30 A. Yes, I agree there was an old industry



1 in the quarry.

2 Q. And it is still existing?

3 A. Yes.

4 Q. And Stonewall is twenty miles from
5 Winnipeg -- that is, the rail mileage?

6 A. Yes.

7 Q. And Canadian Pacific moves substantial
8 tonnages of limestone from Stonewall to Winnipeg?

9 A. I can't answer that in today's terms.
10 I imagine they have in the past.

11 Q. They are still operating?

12 A. Yes, they are.

13 Q. And moving limestone down, and that is a
14 heavily loading commodity?

15 A. Yes.

16 Q. Any method of increasing freight charges
17 which will result in heavier increases being put on
18 the short haul, heavy loading traffic, would be objected
19 to by a short-haul industry such as that quarry; would
20 you agree with that?

21 A. It might. I would not say one hundred
22 per cent. It depended upon -- these people are also
23 citizens of Manitoba.
24
25
26
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29
30



1 Q. Yes?

2 A. And these people will stand to gain other
3 ways, but in this one specific instance, if there was
4 any more favourable ---

5 Q. Let me put it this way ---

6 A. --- basis of freight rate setting, and
7 I am not prepared to say that the people of Stonewall
8 are so selfish that they would be prepared to forego
9 a favourable means of establishing freight rates for
10 their really selfish interests -- I am not prepared to
11 make that statement.

12 Q. Let me put this to you. If the short
13 haul shippers, such as the quarry and its movement to
14 Winnipeg, twenty miles, and if the beet growers, again
15 short haul shippers, objected and expected to be exempt,
16 that would be a possible complication to any method
17 such as a fifty-fifty split of cents and percentage?

18 A. Oh, you are taking this down -- I am just
19 saying to you I am hearing.

20 Q. I note your agreement, sir, and ---

21 A. Mr. Sinclair, I am indicating that I hear
22 you, not that I agree with you. I am getting the
23 message.

24 Q. Well, you aren't disagreeing?

25 A. Repeat your last question.

26 Q. I said that if short haul heavy loading
27 traffic, such as sugar beets and limestone from Stone-
28 wall to Winnipeg -- if the shippers of those commodities
29 objected and said, "Well, now, our traffic just cannot
30



1 stand this; we want to be exempt," that would prevent
2 complications to any plan such as a fixed cents per
3 hundred pounds increase?

4 MR. MAURO: Before you answer, Mr. Minister,
5 -- I do not want to interfere at all with my learned
6 friend's cross-examination. He has put this type of
7 cross-examination to a number of witnesses, and that is
8 perfectly permissible. I think that he should, if he
9 is referring to the Manitoba plan, go to the full
10 description of it, and with the modifications for low-
11 value bulk commodities that the Premier said would be
12 necessitated in our plan.

13 MR. SINCLAIR: Well, Mr. Chairman, I am very
14 sure that the Minister of Agriculture of this province,
15 having graduated from Wolseley College, and being
16 the kind of man he is, that he would know exactly what
17 the Prime Minister had in mind.

18 MR. MAURO: I know what my learned friend
19 has said, and I know the capabilities of the minister,
20 but I think the counsel should put the complete plan.

21 MR. SINCLAIR: Q. Mr. Minister, are you
22 having any difficulty understanding me?

23 MR. MAURO: How could he understand you when
24 you did not mention it?

25 MR. SINCLAIR: Just let the minister answer.

26 THE WITNESS: Well, I said once I was getting
27 the message.

28 MR. SINCLAIR: I thought so.

29 MR. MAURO: I want him to get the whole message,
30



1 that's all.

2 MR. SINCLAIR: Q. You were getting all the
3 message you needed, Mr. Minister?

4 A. I think I know what you are driving at,
5 or at least where you are going.

6 Q. Well, let me have your answer. Can you
7 remember the question?

8 A. You wanted me to decide whether or not the
9 conflict of interest would pose a problem?

10 Q. Yes.

11 A. Conflicts of interest always pose problems,
12 but we built a pretty good life here in this country by
13 learning to compromise when we reach agreements.

14 Q. I see. Now, just another one, to give
15 you one example -- pulpwood moves off the Arborg
16 Subdivision in an area which has had its difficulties --
17 that is north of, we will say, Fraserwood; on that line
18 -- moves to Kenora, a distance of about 200 miles.
19 Pulpwood is a heavy loading commodity, and 200 miles,
20 as rail transportation goes in this country, is a
21 relatively short haul. There is another group of
22 shippers that might find some difficulty, you will agree,
23 in any method that puts a larger percentage of cars on
24 short hauls as compared with long hauls?

25 A. You are asking me for an opinion that I
26 do not think I am -- you are getting into an industry
27 with which I am not familiar, and I do not like to give
28 answers on grounds where I am not familiar.

29 Q. Fine, Mr. Minister. I just want to take
30



1 you back to your own constituency for one thing, to give
2 you something that may help under the scheme of the
3 Province of Manitoba, and that is the movement of lime
4 long distance to Eastern Canada out of Stonewall might
5 be helped by a situation that would transfer some of the
6 long haul increase costs to the short haul costs. There
7 is a substantial movement of lime to long distances out
8 of there?

9
10 A. Well, I suppose that is evident.

11 Q. Now, at page 7 of your submission you
12 referred to No. 1 Northern wheat at Fort William. In
13 1898 it was 72 cents, Mr. Minister, and in 1899, when
14 the Crow's Nest Agreement became fully operative, it
15 was 70 cents, according to my figures.

16 I was wondering if you could inform the Com-
17 mission what the price, Fort William, was immediately
18 prior to the year -- around the period 1894, 1895, 1896?

19 MR. MAURO: The C.P.R. figures that we used
20 for this only go back to 1897.

21 MR. SINCLAIR: Q. I told the minister what
22 they were so he would not have to look them up. I was
23 asking him whether he knew the price of No. Northern
24 just immediately before 1896, 1895, 1894 -- say, three
25 years. Do you happen to know?

26 THE CHAIRMAN: Does he know or does he not?

27 THE WITNESS: No, I didn't know.

28 MR. SINCLAIR: Q. I am instructed that in
29 that period there was a depression and that wheat was
30 down to around 60 cents a bushel, Fort William. Would



1 that surprise you? I do not know -- have you got any
2 reason to know, or not know whether that would be right?

3 A. I haven't any reason to know whether it
4 is right or wrong.

5 Q. If wheat went down to around 60 cents a
6 bushel, or so, in that period, that would indicate, Mr.
7 Minister, a concern of Canadians for the movement of
8 wheat to export positions?

9 A. You mean the farmers at that time would
10 be more concerned about movement of grain to export than
11 they are now?

12 Q. No, Mr. Minister. I said ---

13 A. Or, than otherwise?

14 Q. No. A low price of wheat such as that
15 would be of concern to the people of Canada?

16 A. Yes.

17 Q. For the movement of grain to export
18 positions?

19 A. Well, I imagine they were as concerned in
20 those days as they are now.

21 Q. And they would be particularly concerned,
22 Mr. Minister, having in mind at that time the opening up
23 of Western Canada to farming?

24 A. I expect you are right.

25 Q. And, Mr. Minister, in 1925 the Canadian
26 people again were concerned with the movement of grain to
27 export positions, both east and westbound?

28 A. In 1925?

29 Q. Yes. They were concerned about the free
30



1 movement of grain to export positions?

2 A. Yes, but it was \$1.69 at that time.

3 Q. Yes, it was \$1.69, but prices fluctuate
4 quickly in the grain business, as you know?

5 A. That is correct, yes.

6 Q. And they were concerned, I think you from
7 your knowledge of the situation would agree, not only to
8 have grain moved eastbound to the lakehead but also to
9 have it moved westbound so that you could tap markets
10 through the export positions at Vancouver?

11 A. I imagine Canadians are and always have
12 been anxious to take advantage, if that is the word, of
13 all the markets for Canadian products that are available.

14 Q. And I am taking grain particularly.

15 A. Yes, yes.

16 Q. And Canadians now, thinking Canadians, at
17 least, Mr. Minister, are vitally concerned with the free
18 movement of grain to export positions. You would agree
19 with that?

20 A. Yes.

21 Q. You would also agree, Mr. Minister, that
22 under existing conditions and as far as you and your
23 knowledge of agriculture can foresee that the position
24 of the farmer is such that he cannot move his grain to
25 export positions without hardship and higher rates than
26 he is now paying?

27 A. I think that the farmer today has been
28 subjected to all the pressures to the cost of production
29 that thinking citizens of this country should want to
30



1 see him subjected to. That is what I think.

2 Q. So that you would agree that the farmer
3 today and in the foreseeable future, as far as you and
4 your knowledge of agriculture is concerned, is not in
5 a position to pay higher costs for the movement of his
6 grain to export positions?

7 A. Well, that is beside the point.

8 Q. Well, would you disagree with what I have
9 said? I am not arguing this point with you; I just want
10 to see, Mr. Minister, if you would agree that farmers
11 today and as far into the future as you can see ---

12 A. They cannot afford to pay more; is that
13 it?

14 Q. They cannot afford to pay more; is that
15 what you say?

16 A. I cannot speak for all of the farmers.

17 Q. I am asking you as an experienced
18 Minister of Agriculture for your opinion?

19 A. And I said I think they have absorbed
20 increased costs of production beyond that which any
21 other segment of the economy has been asked to absorb.

22 Q. So, therefore, may I put it this way --
23 therefore, they cannot afford to pay more to move their
24 grain to export positions?

25 A. No, they cannot.

26 Q. Now, Mr. Minister, at page 8 of your
27 brief, paragraph 41, you have a sentence here that
28 reads as follows:
29

30 "The grainproducer in Manitoba does not want



1 a subsidy on the movement of grain because the
2 present rates are in fact a fair rate, both for
3 the railways and the shippers."

4 Now, if it was determined, Mr. Minister, that the cost of
5 moving grain was greater than the revenues for moving
6 grain to export positions, and it was determined that
7 that would not be fair, having looked at the overall
8 situation, then something should be done about it; you
9 would agree?

10
11 A. If that, amongst other things that we
12 have included and referred to in the brief.

13 Q. Let's take them one at a time. Let's
14 take the one that I put. The one I put was, if the
15 cost were found to be greater than the revenues, you
16 would agree that something should be done about it;
17 that is, the cost of moving grain to export positions
18 in western Canada?

19 A. No.

20 Q. You would not agree something should be
21 done about it?

22 A. No.

23 Q. If the fact that railways did not have
24 adequate revenues to maintain themselves in a sound
25 position, would you think something should be done about
26 that?

27 A. If the railways could not find ---

28 Q. If the railways had not sufficient revenue
29 to maintain themselves in a sound financial position
30 do you think something should be done about that?



1
2 A. Yes.

3 Q. I am not going to argue with you, Mr.
4 Minister, as to the cause of it. If the cause of it
5 is moving grain, it is the position of Canadian Pacific,
6 as you know, Mr. Mainister, that something should be done
7 about the relationship of cost and revenues for moving
8 grain?

9 A. And it is our ---

10 Q. It is your contention ---

11 A. That there is an agreement ---

12 Q. You should do other things, too?

13 A. It's our contention that there is an
14 agreement that is binding.

15 Q. Oh, well ---

16 A. And that you are forgetting to consider
17 the tremendous contribution that the wheat growers of
18 the western prairies made in building the railways in
19 Canada.

20 Q. Acknowledging that completely, Mr.
21 Minister, the fact is that we live here under today's
22 economic conditions, and the railway is a part of the
23 citizens of Canada, and if our revenues are not equal
24 to a fair wage for the work that the railways do,
25 irrespective of anything, in view of the essential
26 position of the railways, I am surprised that you would
27 not agree that something should be done.

28 A. I said something should be done to help
29 the railways; I did not say that nothing should be done.
30 I said nothing should be done on the basis of the



1 Crow's Nest rates. I'd like that to be clear.

2 Q. Well, Mr. Minister, you seem to think
3 that there is an extant agreement that is the basis upon
4 which these rates are in effect?

5 A. I am convinced there is.

6 Q. Well, you would not be surprised to know
7 that I would argue at some time that it is not the
8 agreement that does anything but fixes the level; it is
9 the statute that fixes the operation. I do not want to
10 get into that argument now.

11 What you think, sir, is this: that railways
12 are essential to western Canadian agriculture and to
13 Manitoba agriculture, and you want to make sure that they
14 can continue to provide the service that that agri-
15 cultural industry so vitally needs. Would that be a
16 fair way of summing up your position?

17 A. Yes, but I would like to make one addition,
18 if I may.

19 Q. Certainly.

20 A. I believe that they are vital to Manitoba
21 agriculture, but they would be much more helpful if we
22 had the advantage of freight rates which were equitable
23 with other sections of the Canadian economy.

24 Q. One of the difficulties, Mr. Minister,
25 I think you will agree, is that everyone in Canada seems
26 to think that their own rates are inequitable?

27 A. Oh, that is probably true. That's human
28 nature.

29 Q. Mr. Minister, there is just one small
30



1 point I wanted to make with you here. In agriculture,
2 the large shift to mechanization has taken place since
3 1947 -- there is a large shift to mechanization; you
4 would agree with that?

5 A. Oh, yes.

6 -

7 -

8 -

9 -

10 -

11 -

12 -



1 Q. You make the statement that in the thir-
2 ties grain prices were extremely low. I am not trying
3 to quote you; it is just my note, and you said that
4 rail costs were proportionately low.

5 Did you know, Mr. Minister, that in the
6 thirties, from 1932 through 1942, the Canadian Pacific
7 paid no dividends whatsoever on its ordinary stock, and
8 for five of those years paid nothing on its preferred
9 stock, and two other years substantially less than the
10 rate, four per cent divided by that stock; did you know
11 that?

12 A. No.

13 Q. Did you also know, sir, that in those
14 years, for instance 1935, the Canadian Pacific barely
15 met, slightly over, its interest charges?

16 A. There were a lot of people in difficulty
17 and a lot of companies in difficulty in those days.

18 Q. Thank you, Mr. Minister. On behalf of
19 the Canadian Pacific I wish to compliment you.
20

21 RE-EXAMINATION BY MR. MAURO:

22 Q. I have three questions I want to ask in
23 re-examination. My learned friend asked you, Mr.
24 Minister, if under any new suggested scheme for applying
25 freight rates -- and you mentioned the one made by the
26 Premier of Manitoba -- that there might be occasioned
27 conflicts between short and long haul shippers, etc.
28 Of course, Mr. Minister, we in Manitoba know that the
29 present method of applying freight rate increases have
30 been causing conflicts, and one of the prime purposes



1 for the setting up of this Commission were these
2 conflicts caused by the present method, and it
3 is also clear in the position of the province that
4 our suggestion ---

5 MR. SINCLAIR: I think we can argue in Ottawa.
6 That is not a question.

7 MR. MAURO: It surely is. I wouldn't want
8 the Commission to get any wrong ideas.

9 MR. SINCLAIR: The classic way to re-examine
10 is to repeat the statement of the minister and ask him
11 what he meant; not to tell him the long speech you may
12 have to make in Ottawa.

13 MR. MAURO: My learned friend and I both
14 will agree on what the classic method is, but I certainly
15 haven't seen it too often evidenced by my learned friend
16 in his re-examination.

17 THE CHAIRMAN: Well, ask the question.

18 MR. SINCLAIR: My record speaks for itself.

19 MR. MAURO: It certainly does.

20 Q. My learned friend asked you in regard
21 to any increase in costs to the grain growers, and he
22 said that the grain grower cannot pay higher rates now,
23 and I believe your statement was that not only can he
24 not pay them, but he should not?

25 A. Absolutely not.

26 Q. And as I understand the position of the
27 Government of Manitoba, the grain growers should not
28 pay them because in the opinion of the Government of
29 Manitoba there is a solemn obligation that if there is
30



1 any difficulty by the railways in maintaining their part
2 of that solemn obligation, then any subsidy necessary
3 should be paid to the railways; is that your submission,
4 Mr. Minister?

5 A. That is my stand.

6 Q. And then when my learned friend ask you
7 about the fact of contribution to revenues, and whether
8 or not if the railways found that they were not getting
9 sufficient revenues, the revenues that the western
10 farmer -- as I understand your position -- the revenues
11 that the western farmer has contributed to since the
12 formation of the C.P.R. are not only the revenues now
13 listed under the rail revenues, but all revenues?
14

15 THE CHAIRMAN: Mr. Mauro, I think that is
16 really argument.

17 MR. MAURO: That is all.

18 THE CHAIRMAN: Thank you. Mr. Balch?

19 COMMISSIONER BALCH: No questions.

20 BY MR. GOBEIL:

21 Q. I have just one question. In dealing
22 with the differential prices, your paragraph 54, you give
23 an example, that it is cheaper to ship from Brandon to
24 Winnipeg and then to Yorkton, and when I read your brief
25 last night I didn't know where Yorkton was, and I looked
26 at the map and it seems to be in an awkward situation.
27 There must be a reason for that. Could you comment?

28 A. It is an awkward example, but I haven't
29 the information at my fingertips.

30 Q. Couldn't it be what they call a paper rate?



1 A. A paper rate?

2 A. Yes.

3 A. No, I think it is an actual rate.

4 However, I can assure you that evidence will be for-
5 warded.

6 THE CHAIRMAN: Traffic moves on that road?

7 THE WITNESS: Well, as I said, I haven't the
8 technical information at hand.

9 COMMISSIONER GOBEIL: Thank you.

10 THE WITNESS: But we can get it for you.

11
12 BY COMMISSIONER MANN:

13 Q. Mr. Hutton, in paragraph 48 you make the
14 statement, "The available statistics indicate that
15 the transportation cost to the people of this area
16 per capita is very much greater than the average for
17 Canada as a whole," and you speak in this connection
18 about the prairie provinces as a whole.

19 Now, you gave the population of the prairie
20 provinces, the three prairie provinces, in paragraph
21 45 as roughly three million people. You arrived at
22 an estimate of transportation costs of roughly \$356.5
23 million on the basis of that population figure. Now,
24 to do some quick arithmetic which I hope is right,
25 that would be roughly a per capita expenditure on
26 transportation of \$150. Would that be right?

27 A. I can't answer that question.

28 Q. Let us take that just as a rough calcula-
29 tion. My question to you is simply this: have
30 you ever tried to relate this to the per capita income?



1 A. Personally?

2 Q. Yes.

3 A. No.

4 Q. You haven't done that?

5 A. No.

6 Q. I wonder whether your advisers would be
7 good enough to do that?

8 A. I am sure they would.

9 THE CHAIRMAN: That is all. Thank you, Mr.
10 Hutton. I don't think we had better take a break.

11 MR. MAURO: The final submission on the
12 part of the Province of Manitoba is that by the Department
13 of Industry and Commerce, and it will be presented by
14 the Minister the Honourable Gurney Evans.
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HONOURABLE GURNEY EVANS, called

MR. MAURO: Will you please proceed, Mr. Minister?

A. To begin with, Mr. Chairman and members of the Commission, it is an honour and a privilege for me to welcome your Commission to the province of Manitoba. I hope to put before you certain information concerning the industrial development of the province, our hope for future development of the province, and some respects in which the question of freight rates and costs of transportation impinge on that problem.

I would like to say also that partly as minister in charge of the tourist business, we always welcome visitors to the province, and particularly such distinguished visitors. I want to add my word of welcome to those that have been given by the Premier and those before me.

THE CHAIRMAN: Even from British Columbia.

THE WITNESS: Yes. I recognize certain competitors among you, sir, and we will carry on in our friendly way.

MR. MAURO: Q. By way of introduction, will you turn briefly to the industrial and commercial progress in Manitoba during the past few years, particularly in terms of the growth of secondary industries and distributive activities?

A. An outstanding change has taken place since 1939, particularly in the postwar years, in the economy of Manitoba. The economy underwent fairly



1 substantial diversification, to a greater degree than did
2 the economies of the other prairie provinces. In con-
3 sequence, though still heavily dependent on the prosperity
4 of prairie agriculture, the province now has a growing
5 manufacturing industry, an expanding mining industry, a
6 promising forestry industry and a new oil industry.
7 The Manitoba economy is not as diverse, however, as that
8 of industrialized Ontario and in relation to the indus-
9 trial growth of Canada as a whole, the rate of growth
10 in Manitoba has been smaller and continues to lag.
11 Thus, in 1956 while manufacturing in Ontario accounted
12 for 69 per cent of the net value of production, in
13 Manitoba it accounted for only 39 per cent of the net
14 value of our production.

15
16 Q. Mr. Minister, with regard to manufacturing,
17 what was the developmental pattern?

18 A. Three phases of industrial development in
19 Manitoba can be discerned. During the first phase, from
20 1914 to 1929, the development of manufacturing was re-
21 lated primarily to the local market. There followed
22 during the 1930's a period of stagnation. During the
23 war years, 1939-1946, the requirements of defence pro-
24 duction led to an expansion in the rate of industrial
25 growth and production. Since then manufacturing indus-
26 tries in Manitoba have maintained generally the expansion
27 rate of the war years and have sought to develop national
28 and international markets for their output. Postwar
29 industrial development has seen the emergency of indus-
30 tries which serve national rather than purely local or



1 regional markets. The need for access to these wider
2 markets, particularly in eastern Canada, has emphasized
3 the importance of low freight rates in facilitating
4 the entry of Manitoba-produced goods into these markets.

5 Since the years 1939 to 1946 cannot be regarded
6 as a period of normal growth, data for the period 1947
7 to 1957 are used as the basis for an analysis of in-
8 dustrial growth in Manitoba. During this period the
9 number of manufacturing establishments increased from
10 1,413 to 1,590, or by 13 per cent, while the number of
11 persons directly employed in manufacturing grew from
12 39,000 to 44,000, or an increase of 11 per cent. In
13 terms of net value of output, production in manufacturing
14 increased from \$139,374,000 to \$273,163,000. Expressed
15 in constant dollars this increase in the net value of
16 manufacturing production from 1947 to 1957 was 36 per
17 cent.

18
19 Q. What is the importance of manufacturing
20 in the provincial economy?

21 A. The relative importance of manufacturing
22 activities in the economy of the province also grew
23 between 1947 and 1957. The percentage of the labour
24 force employed in manufacturing increased. In 1957
25 manufacturing accounts for 27 per cent of total pro-
26 vincial employment, and wages and salaries in manu-
27 facturing provided 19 per cent of all wage and salary
28 income in Manitoba.

29 However, both in terms of the absolute impor-
30 tance of manufacturing and in terms of the absolute rate



of growth of manufacturing, Manitoba has not kept pace with the Canadian economy as a whole. This relative lag in absolute growth reflects a set of special economic forces that are unique to the region of which Manitoba is a part. The comparative indices of industrial growth for Manitoba and all Canada for the period 1947 to 1957 are shown in Schedule "A".

SCHEDULE "A"

INDUSTRIAL GROWTH, MANITOBA AND CANADA, 1947 and 1957

	<u>1947</u>	<u>1957</u>
Net product per employee in constant dollars (Index)		
Manitoba	100.0	257.8
Canada	100.0	279.5
Net product per employee in current dollars (Index)		
Manitoba	100.0	175.8
Canada	100.0	190.0
Manufacturing employment (Index)		
Manitoba	100.0	111.4
Canada	100.0	120.0
Net Value of manufacturing product in current dollars (Index)		
Manitoba	100.0	195.9
Canada	100.0	228.8

Q. Mr. Minister, will you please explain the relative position of Manitoba in the Canadian total as evidenced by the charts?

A. Schedule "A" demonstrates that in all the indices of industrial growth, Manitoba lags relative to the all-Canadian level. The smallness of the province's share of Canadian manufacturing is further shown in the statistics presented in Schedule "B".



SCHEDULE "B"

MANITOBA'S SHARE OF CANADIAN MANUFACTURING

	<u>1939</u>	<u>1952</u>	<u>1957</u>
Establishments	4.38%	4.03%	4.19%
Employment	3.20%	2.90%	3.22%
Wages and Salaries	3.85%	3.07%	2.90%
Net Value of Product	3.63%	3.37%	2.78%

Q. And has the present freight rate structure, in your opinion, Mr. Minister, contributed to this apparent lag in Manitoba manufacturing in the province?

A. The existing railway freight rate structure has been an important factor in this relative lag in the growth of industry in Manitoba. It has acted as a deterrent to industrial development in the province.

Q. What of the industrial growth potential in the province, Mr. Minister?

A. Manufacturing in Manitoba can be classified in fairly distinct categories. A large group of industries consists of those which produce consumer goods primarily for the regional market. Manitoba has developed as a regional producing centre because of its central position within the prairie region and the early emergence of Winnipeg as the commercial centre of the area. As a result, a substantial part of Manitoba's manufacturing industry serves the prairie market. This regional market will continue to be an important determinant of a large part of production and employment in manufacturing but the future size and buying power of the regional market will itself be dependent upon the



1 extension of secondary industry in the area.

2 A second major group are the raw materials
3 oriented industries. These industries, which
4 originated because of access to raw materials in the
5 province, are meat packing, grain products, dairy
6 products, non-ferrous metals; in total, the account
7 for some 30 per cent of employment in manufacturing.
8 Future growth in this industrial group will depend
9 on diversification of raw materials production in the
10 region (specialty crops, industrial minerals, oil) and
11 on processing of existing raw materials beyond the
12 present stage. Potential new industries in this
13 segment are frozen, canned and packaged foodstuffs,
14 seed processing, petroleum, pulp and paper, ceramics,
15 to give a few examples. I might add that those
16 examples are chosen on the basis of studies that have
17 been made in the Department of Industry and Commerce
18 with the advice of consultants indicating to us that
19 these are considered items that we have put in this
20 brief.
21

22 The diversified agricultural resources of the
23 province can provide the raw materials for further ex-
24 pansion of the food processing industry, particularly
25 in the rural areas. Growth of this industry, however,
26 requires access to the populated markets of Eastern
27 Canada and this in turn requires a level of freight
28 rates that would enable the products of Manitoba
29 industry to compete in these markets.

30 The railway rolling stock industry constitutes



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1 our third industrial category. Manufacture and
2 repair of transportation equipment originated because
3 of Winnipeg's position as a railway centre. In 1957
4 the industry employed some 5,000 persons.
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1 The fourth industrial category is production
2 of industrial goods other than railway equipment. The
3 industries in this group are relatively new, for example,
4 agricultural implements, scientific and electronic
5 equipment, electrical apparatus. It is a group
6 which, we believe, can have a large growth.

7 Finally we would distinguish a fifth cate-
8 gory which consists of industries producing consumer
9 goods other than those based on regional raw materials,
10 and whose sales are made outside the prairie region.
11 An outstanding example is apparel and textile manufactur-
12 ing, one of the province's leading manufacturing indus-
13 tries. That is, they are imported, manufactured into
14 garments here and returned to markets outside of Mani-
15 toba or the prairie region.

16 It is to these last two industrial groups --
17 production of industrial goods other than railway equip-
18 ment and of consumer goods other than those based on
19 regional raw materials -- that we look for much of our
20 future industrial development. The development of
21 industries in those groups will have an important effect
22 on the future size of the regional market. Whether
23 this development will occur will depend, however, upon
24 the interplay of many factors, including market forces.
25 I think it is right to draw attention to the fact that
26 we do say this has to be a product of many factors, and
27 that we don't think that transportation costs is the
28 only factor involved.

29 Manitoba's distance from the populous centres
30



1 of Canada, especially from the larger markets of central
2 Canada, and the tariff separation from the markets of
3 the midwestern United States create obstacles to our
4 industrial development in both the producer and consumer
5 goods fields, particularly in the case of production that
6 requires raw materials not available in the region. In
7 the absence of a freight rate structure that would meet
8 more adequately the requirements of these industries for
9 the manufacture of producer and consumer goods, their
10 development on the scale that we believe possible will
11 not in fact take place.

12
13 Q. Mr. Minister, would you comment on the
14 existing industrial complex, particularly in the field
15 of distribution, trade and services?

16 A. Yes, these are important. Distribution
17 activities have played an important part in the develop-
18 ment of the prairie provinces. The region has been
19 trade-oriented and metropolitan Winnipeg historically has
20 served as a central distribution point for the flow of
21 goods into and out of the prairie region. In conse-
22 quence, a large number of Manitobans have depended,
23 directly or indirectly, upon trade-associated activi-
24 ties for their employment and income. Data on the
25 number employed in distribution per 1000 of population
26 indicate 98 per 1000 for Manitoba as compared with 76
27 distribution workers per 1000 for Canada as a whole.

28 The principal categories are wholesale trade,
29 retail trade, finance, transportation and communication
30 services. As a group these segments provided



1 employment for 75,000 wage earners in Manitoba in
2 1951, an increase of 42 per cent since 1931. The
3 75,000 persons employed in distribution represented
4 36 per cent of all employed wage earners in the
5 province.

6
7 While the importance of distribution as a
8 source of employment has been rising steadily, and the
9 trend is likely to continue, an important consideration
10 for the future will be the extent to which Manitoba,
11 and the City of Winnipeg in particular, will continue
12 to serve as a centre for distribution services for the
13 prairie region. Despite a basic long-run tendency
14 toward a gradual decentralization of the distributive
15 functions, particularly wholesale and retail trade,
16 within the prairie region, there appear to exist off-
17 setting factors which have operated, to date, to
18 maintain the high percentage of Manitobans engaged in
19 centralized marketing and associated activities for
20 Western Canada. These offsetting factors, however,
21 are on balance not as strong as the factors making for
22 decentralization, and Manitoba's share of total
23 distributive employment in the prairie region has de-
24 clined relatively. The tendency toward decentraliza-
25 tion and a consequent decline in Winnipeg's relative
26 importance as a distribution centre for the prairie
27 provinces is small but it is evident.

28 In the light of these facts, we believe
29 that the development of secondary industries in Manitoba
30 becomes all the more necessary since secondary



1 industries will have a greater role to play in deter-
2 mining Manitoba's future development than they will in
3 areas in which employment in distribution is likely to
4 expand at a more rapid rate. Secondary industries
5 will only be able to make this contribution to the
6 development of the provincial economy, however, if
7 their growth is facilitated by an adequate freight
8 rates structure.

9
10 Q. What part does government policy play
11 in this field of industrial expansion?

12 A. We have plans and great hopes in this
13 field. The Government of Manitoba has accepted its
14 responsibilities for facilitating the growth of secondary
15 industries in Manitoba and for the development of the
16 northern portion of our province. It is the policy
17 of the government to encourage the further industrial
18 growth and expansion of Manitoba and to facilitate the
19 development of the northern region of the province.
20 To implement this policy, measures have been instituted
21 in the more accessible areas of the province, as part
22 of a regional economic development programme, for the
23 further diversification and decentralization of
24 industry; special measures have been taken for the
25 accelerated development of the north; financial and
26 technical assistance has been made available to both
27 established and new enterprises; and a new agency has
28 been established to coordinate the planning of the
29 government's programmes for economic development and
30 to direct their implementation. Our goal in all these



1 programmes is to promote balanced economic growth.

2 One of the main objectives of the regional
3 development programme is to encourage the economic
4 development of the rural areas of Manitoba through the
5 growth and expansion of local industries and the loca-
6 tion of new industries. That is to say, the location
7 of new industries in areas outside the Greater Winnipeg
8 area. Decentralization of industry in rural com-
9 munities will make possible the utilization of the
10 local agricultural and forest resources and will promote
11 the development of the rural areas of the province.
12 Decentralization rather than further concentration
13 of industry is desirable, we believe, in both the
14 provincial and national interest. The present freight
15 rate structure, however, impedes such decentralization,
16 and dispersal of secondary industry in the province will
17 not take place on the scale possible unless the neces-
18 sary adjustments are made to provide a level of
19 rates conducive to the growth of industry in the rural
20 areas. Unless a more adequate rate structure to meet
21 their requirements for expansion is instituted, the
22 further growth not only of industry but also of commerce
23 in the towns and villages of Manitoba will not be
24 possible.

25
26 Q. We have heard a great deal in recent
27 years, Mr. Minister, concerning northern development
28 generally in Canada: what part does such a policy play
29 in the proposed industrial expansion of Manitoba?

30 A. An important part. Northern Manitoba



1 constitutes a vast physical and economic frontier whose
2 development is of importance to the province and to
3 Canada. We believe that Northern Manitoba will provide
4 the same impetus to provincial and national growth as
5 did Western Canada in the earlier days of our history.
6 The north has special problems, however, foremost of
7 which is long distance transportation to markets and
8 the inordinately high costs of such transportation.
9 Its development therefore necessitates special measures.
10 Certain special measures have been undertaken in the
11 comprehensive programme which the Government of Manitoba
12 has initiated, in cooperation with the Government of
13 Canada, for the economic development and expansion of
14 Northern Manitoba. The federal government's programme
15 for the accelerated development of the northern terri-
16 tories under its jurisdiction is an integral part of its
17 overall policies for national development which are
18 designed to facilitate and encourage the efficient use
19 of Canada's resources. In our province, the Government
20 of Manitoba, with encouragement and in some instances
21 financial assistance from the federal government, has
22 initiated a number of measures to promote the economic
23 development of Northern Manitoba through the growth
24 of visible industries based upon the region's natural
25 resources. These measures which are designed to
26 facilitate assessment, exploration, development and
27 utilization of our northern resources and to provide
28 access to them include:

30 Provision of hydroelectric power at reasonable



1 rates; work is progressing at the Kelsey site
2 on the Nelson River which will have an initial
3 capacity of 168,750 kilowatts and, at a cost
4 of \$140,000,000, construction will be under way
5 this year on a 328,000 kilowatt plant at Grand
6 Rapids on the Saskatchewan River, 250 miles
7 north of Winnipeg.

8 Construction, under the joint federal-
9 provincial Roads to Resources programme, of
10 roads to open up to development new areas with
11 a high resource potential.

12 Promotion of forest product industries,
13 particularly the production of newsprint and
14 wood pulp.

15 Encouragement of mineral exploration and
16 development and the construction of metal
17 refining and processing facilities.

18 Encouragement of expansion in the com-
19 mercial fishing industry.

20 Promotion of secondary and service indus-
21 tries.

22 Q. Could you tell us, Mr. Minister, what
23 other policies have been instituted by the government
24 to further assist industrial development?

25 A. Financial aid and technical assistance
26 is available for the establishment of new industries
27 and the expansion of existing enterprises. The
28 Government has established the Manitoba Development
29 Fund which is providing financial assistance to a
30



1 variety of manufacturing industries, tourist and recrea-
2 tional facilities and community development corpora-
3 tions. The Fund supplements existing sources of capi-
4 tal. That is a point that might be noted, that it is
5 required that such financial assistance as is provided
6 from the Manitoba Development Fund shall be provided
7 only after all other sources of capital have been
8 canvassed and the borrower has been unable to secure
9 his requirements at the reasonable rates, and, so, the
10 amounts loaned by the province have a multiplier factor:
11 they have enabled other sources of capital to take up
12 part of the load and have filled the gap from the
13 Manitoba Development Fund.

14
15 The Fund has loaned funds to small and medium-
16 sized industries in a number of communities throughout
17 the province, thus encouraging decentralization of
18 industry. From its inception in February to December
19 31, 1959, loans approved by the Fund have totalled
20 \$2,900,000 of which 65 per cent have been made in the
21 rural areas outside Greater Winnipeg.

22 Perhaps, to make it quite clear, it is not
23 the number of loans that is referred to here, but the
24 proportion in which the money has been loaned -- that
25 of the \$2,900,000 some 65 per cent has been loaned out-
26 side of Greater Winnipeg.

27 Technical assistance is made available to
28 industry by a number of departments of government.
29 The Department of Industry and Commerce in its research,
30 investigations and surveys evaluates the economic



1 potential of the province, assists communities in solution
2 of local problems of economic development and growth,
3 examines and identifies specific opportunities for
4 new industrial activity, and, as part of its work in
5 promoting industrial expansion, supplies market and
6 related economic information to prospective investors
7 and businessmen.

8
9 The Government has established the Manitoba
10 Development Authority, to plan, coordinate and implement
11 its programmes for industrial expansion and northern
12 development. Those plans were enumerated on the
13 preceding page. The Authority is a subcommittee of
14 the Cabinet assisted by the deputy ministers of the
15 departments concerned and senior officers of the public
16 utilities and commissions. It is aided also by a small
17 and specialized permanent staff. It correlates, on a
18 continuing basis, the activities of the several government
19 departments and semi-government agencies concerned with
20 particular aspects of the economic development of the
21 province, especially in the northern areas. This agency
22 is charged with the responsibility of creating con-
23 ditions to encourage investment in new industries based
24 on the province's natural resources. It has the
25 responsibility of seeking capital to come to the pro-
26 vince and carrying on at least the preliminary stages
27 of negotiation with any source of capital or management
28 groups who can be interested, and we are in discussion
29 and negotiate with numbers of both of those kinds --
30 both management and those with capital.



1 Among its specific objectives, the Authority
2 is responsible for (and this is quoted from its terms
3 of reference) "the planning of measures respecting the
4 provision and maintenance in the province of adequate
5 transportation facilities of all kinds."

6
7 Q. What will be the function of transportation
8 in these proposed plans for industrial expansion of
9 Manitoba?

10 A. Adequate and dependable transportation
11 services and a fair and reasonable level of freight
12 rates and charges are of major significance for the growth
13 of Manitoba's economy and thus for the implementation
14 of the Government's policies to encourage such expansion
15 and development. The inequities and distortions in
16 the present railway freight rate structure not only
17 place a disproportionate burden on existing industries
18 but also prevent the further growth and strengthening of
19 the industrial structure of the provincial economy
20 through the establishment of new secondary industries.

21 For the people of Manitoba, located as we are
22 geographically in the centre of Canada, the problems
23 of transportation -- shipping goods over great distances
24 and the costs of transportation -- have always been
25 important, Transportation has had and continues to
26 have a basic impact on Manitoba's economic development
27 as the link between the province and the markets with
28 which we trade and as the link within the province
29 itself. Manitoba's economy depends to a very impor-
30 tant extent upon exports and imports both on a national



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1 and on an international scale. Our primary need
2 therefore is for minimum possible transportation costs
3 consistent with dependable services. Our concern
4 is with the availability of adequate transportation at
5 the lowest possible cost, within and without the
6 province, for our manufacturing, distributive, agri-
7 cultural, mining and forest industries.
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In planning our programme for northern development we have made careful examination of the prospects for stimulating industrial growth based on the region's resources in forestry, minerals, hydro power and commercial fisheries. The investigations and studies undertaken indicate that Northern Manitoba possesses an abundance of the basis resources ingredients necessary for economic expansion and development. The surveys also indicate, however, that the most important single factor impeding the rate of economic growth in the north is the present very high level of railway rates on the region's only rail link with southern Manitoba and the markets in the rest of Canada and in the United States. The absence of a rate structure that would stimulate development presents a particularly serious barrier to the economic development of the region. Until such time as a more favourable level of rates is instituted, development of the north can only proceed at a relatively slow pace. We shall return to the question of transportation and northern development later in this submission.

Q. Could you trace briefly, Mr. Minister, the effect of the present freight rate structure on the industrial development of this province?

A. Since Confederation the Canadian economy has been predicated upon an east-west flow of traffic. Before the construction of the Canadian Pacific Railway trade and traffic moved in a north-south flow. Completion of the Canadian transcontinental railways leading



1 east and west, coupled with high rates to and from the
2 border crossing points, diminished that flow and thus
3 furnished to the manufacturing industries of eastern
4 Canada a market which was, in degree at least, a captive
5 market for their products. This freight rate pattern
6 of east-west traffic has remained unchanged in principle
7 since the early years of the century. At that time
8 the prairie region was solely a producer of primary
9 staple products -- agricultural commodities and raw
10 materials -- for shipment east or through Vancouver
11 while Eastern Canada, principally eastern Ontario and
12 western Quebec (the area centred on Montreal, Toronto,
13 and later Windsor) was the source of our manufactured
14 goods. These goods moved westward to meet the needs
15 of the growing economy of Western Canada. As this
16 pattern became established, secondary industries which
17 sought to locate in Western Canada were faced with a
18 railway freight rate structure geared to move manu-
19 factured goods westward. With the necessarily limited
20 traffic volume offered by the industries of the prairie
21 region, it was difficult to establish rates for western
22 manufactured goods sufficiently low to compete in the
23 volume market of Eastern Canada.

24
25 In consequence, the present railway freight rate
26 structure which had been developed to meet the needs of
27 a regional economy almost entirely dependent on the sale
28 of its bulky primary products to outside markets and
29 on the purchase of its consumer and producer goods
30 from outside sources of supply, has not proved capable



1 of meeting the requirements of the changing economy.
2 The province now no longer relies solely on the out-
3 bound shipment of agricultural and other raw materials
4 and on the inbound shipment of manufactured goods.
5 The freight rate structure has not been adjusted,
6 however, to facilitate the development of local second-
7 dary industries, a growing number of which are producing
8 manufactured goods for distant national markets, par-
9 ticularly in eastern Canada. As a result, the existing
10 level of freight rates is impeding the growth and
11 diversification of industry in Manitoba.

12
13 Q. Premier Roblin in his evidence before
14 this Commission, Mr. Minister, pointed out the prin-
15 cipal inequities in the railway freight rate structure
16 and their effect on the economy of Manitoba. Has your
17 department made any study of this problem?

18 A. Yes, it has. In view of the importance
19 which we attach to removal of the impediments presented
20 by the railway freight rate structure to the economic
21 position of Manitoba manufacturers and distributors,
22 officials of the Department of Industry and Commerce
23 discussed, on a confidential basis, transportation
24 problems with the executives of some 35 large and small
25 manufacturing enterprises throughout the province and
26 some 20 large and small distributive enterprises in
27 Greater Winnipeg. The information provided by these
28 manufacturing and distributive industries on freight rate
29 problems with respect to inbound shipments of raw
30 materials and outbound shipments of manufactured
commodities to the eastern Canadian and



1 western regional markets corroborated the statement of
2 the problem in the Premier's submission. These inter-
3 views confirmed the fact that the postwar horizontal
4 percentage freight rate increases have adversely affected
5 the competitive position of those manufacturing indus-
6 tries in Manitoba which are subject to long hauls in
7 bringing in raw materials for fabrication and in shipping
8 manufactured commodities to markets.

9
10 It was indicated that for many of the smaller
11 manufacturers in the towns and villages of Manitoba the
12 freight rate structure presents the largest single
13 obstacle to successful operation. It impedes the estab-
14 lishment and the further growth of industrial and
15 commercial activities in the rural areas of the province.
16 To take one example, the use of transcontinental rates
17 as a market or product competitive device and the denial
18 of similar rates from intermediate points which should
19 reflect the shorter haul. A manufacturer of laminated
20 rafters in a Manitoba town indicated that competitors in
21 British Columbia enjoy a preferred rate on shipments to
22 Eastern Canada allowing them to ship the finished pro-
23 duct to that market for less than it costs the Manitoba
24 producer to bring in his raw material from British
25 Columbia to Manitoba. The Manitoba manufacturer is
26 subject to a total freight rate -- including the cost
27 of shipping both raw material and finished product --
28 of \$3.43 per 100 pounds on his sales to the Eastern
29 market, as against \$1.52 per 100 pounds



1 paid by his competitors in British Columbia.

2 Those quotations are in absolute cents per
3 100 pounds, and they are not per mile, per ton, or
4 any other relationship, except a direct comparison of
5 the cost for shipping a given 100 pounds from the
6 Manitoba producer in comparison with what it would cost
7 his competitor in British Columbia; the figures being
8 \$3.43 per 100 pounds for the Manitoban, compared with
9 \$1.52 for the competitor in British Columbia, and
10 the distance, of course, being very considerably less
11 from Manitoba. I must correct myself there -- the
12 total distance for raw material and finished product
13 together, of course, being the same distance.

14 The absence of rates comparable to trans-
15 continental rates placed manufacturers in Manitoba who
16 marketed a large proportion of their production in
17 British Columbia at a competitive disadvantage in that
18 market. Absolutely lower freight rates, in cents per
19 100 pounds, are in effect on shipments of certain com-
20 modities from eastern Canada to Vancouver as compared
21 with shipments of similar goods from Winnipeg to Van-
22 couver. For example, the freight rate on canned
23 goods from Toronto to Vancouver is \$1.80 per 100 pounds
24 as compared to a rate of \$1.95 per 100 pounds from
25 Winnipeg to Vancouver. The freight rate on frozen
26 foods is \$3.50 per 100 pounds from Toronto to Vancouver
27 and \$4.09 per 100 pounds from Winnipeg to Vancouver.

28 There are other examples of inequities in
29 the freight rate structure as they affect Manitoba
30



1 industry. For instance, on shipments of lignite coal
2 from Bienfait, Saskatchewan the rate to Pine Falls,
3 Manitoba, a distance of 310 miles, is 21 cents per 100
4 pounds as compared with the rate to Fort Frances,
5 Ontario, a distance of 470 miles, of 18.35 cents per
6 100 pounds.

7
8 Q. Could you comment, Mr. Minister, on the
9 development of highways as transportation media in the
10 province?

11 A. Although the federal government has
12 assisted in the construction of railways in the national
13 interest, highway construction and maintenance, with
14 certain exceptions such as federal assistance in the
15 construction of the Trans-Canada Highway and Roads to
16 Resources, have traditionally been the concern of the
17 provinces. A generation ago, the railways were vir-
18 tually the only mode of transportation available in the
19 settled areas of the prairie provinces. The railways
20 still remain our basic means of long-haul carriage,
21 particularly for bulk commodities, but they are in-
22 creasingly faced, as the Commission is aware, with com-
23 petition from the newer forms of transportation --
24 highway, air lines and in the last decade pipe lines.
25 In Manitoba, as elsewhere in Canada, expansion of the
26 highway network and improvement in highway vehicles has
27 facilitated the growth of intra-provincial trucking
28 services and, in the postwar period, the increasing
29 extension of trucking operations to long distance inter-
30 provincial and international movement of goods. The



1 highway truck has been converted from a local carrier to
2 a general carrier, competitive with the railways. In
3 our province we have undertaken an extensive programme
4 of highway construction and road improvement in both
5 the settled and the more remote areas. The past
6 year alone saw completion of the largest provincial
7 road-building programme on record at a cost of \$33
8 million.

9
10 Highway transport has increased in both size
11 and scope of operations. This growth has taken place
12 in the use of both for-hire trucking and company-operated
13 vehicles. The extension of trucking services has been
14 of particular benefit to those communities in the pro-
15 vince which lack ready access to other means of surface
16 transportation while for other communities the availa-
17 bility of trucking services has provided an alternative
18 means of transportation.

19 Both railways and truck transportation have
20 particular advantages for the movement of particular
21 commodities. The Government of Manitoba is of the
22 view that the competitive advantages of each form of
23 transportation, in terms of services and rates, should
24 be available to the shippers of the province. Inte-
25 gration of the newer modes of transportation with the
26 older, established modes into a complementary national
27 system of transportation is one of the urgent problems
28 which, we believe, require examination by the Commis-
29 sion. Integration will make possible maximum utiliza-
30 tion of our transportation facilities, will ensure



1 employment of the services of that type of carrier which
2 is best able to perform the particular service and will
3 enable the advantages of technological improvements
4 to accrue to the public in the form of lower transport
5 costs.

6
7 The Premier in his submission has placed
8 before the Commission the views of the Government on
9 the importance which we in Manitoba attach to the St.
10 Lawrence Seaway and to institution of a proper pro-
11 cedure for the regulation of water rates on the Great
12 Lakes system in connection with joint rail-water rates
13 on shipments from Eastern Canada.

14 The Province of Manitoba has a direct interest
15 in the efficient movement of commodities in both direc-
16 tions through the St. Lawrence Seaway - Great Lakes
17 inland waterway system. We wish to ensure that the
18 advantages of our geographical location in relation
19 to this international inland waterway accrue to the
20 benefit of our shippers of agricultural and industrial
21 commodities. The past summer was the first season of
22 operation on the seaway. It is too early therefore to
23 envisage the pattern of shipping and trade that will
24 eventually emerge. We believe, however, that over
25 the years the seaway will constitute a significant
26 factor in the national transportation system as it
27 will affect the provincial economy. The principal
28 objective of the navigation aspect of the seaway project
29 is reduction in transportation costs. We submit that
30 the Province of Manitoba and Western Canada should share



1 to the maximum possible extent in the benefits of the
2 seaway and that the reduction in transportation costs
3 from this national project should accrue to the advantage
4 of shippers in all regions of Canada. In this connec-
5 tion, we attach special importance to the work now
6 underway for improvement of terminal facilities and the
7 harbour at the lakehead harbour of Port Arthur and
8 Fort William. Removal of the present deficiencies will
9 enable the lakehead to serve as the major lake port for
10 the prairie provinces and will assure maximum benefits
11 of the seaway to the prairie region.
12

13 Air Transport: The growth of air transport
14 for the carriage of freight and passengers is also of
15 significance to the further development of Manitoba's
16 economy. The expansion of air transport in the northern
17 portion of the province is of particular assistance to
18 resource development in that vast region. The province
19 has an interest therefore in the further development of
20 transcontinental, international and regional air services,
21 as warranted by traffic volume, and in the expansion of
22 Winnipeg's position as a national and international air-
23 port.

24 Transportation and Northern Development.

25 While reference has been made earlier in this
26 submission to the significance of transportation to the
27 north, we have reserved until now our detailed presen-
28 tation on this subject, since, from several points of
29 view, it requires separate treatment.

30 More than two-thirds of Manitoba lies within



1 the Precambrian Shield in territory which is virtually
2 undeveloped except for scattered "pockets" of mining
3 developments at Flin Flon, Lynn Lake, Snow Lake and
4 Thompson, fishing settlements and for the port of
5 Churchill. Like the Northwest Territories, the northern
6 portions of our province hold a large and untapped
7 potential.

8 The resources potential of this region,
9 although incompletely delineated and assessed as yet,
10 gives every indication, however, of being capable of
11 supporting, in quantity and quality, large-scale
12 resources-based industries. Northern Manitoba is an area
13 of great promise and potential growth. The importance
14 of the development of these resources in forestry,
15 minerals, hydro power and fisheries to the settlement
16 of this vast, relatively unoccupied region is readily
17 apparent. From our earliest days development and
18 utilization of new resources has been a key factor in
19 Canadian growth and prosperity. Of similar significance
20 is the stimulus which development and utilization of
21 northern resources will give therefore to further
22 expansion of the provincial and national economies.
23 The resources of the north will also make a major con-
24 tribution to meeting the free world's growing demand
25 for basic materials such as newsprint, wood pulp and
26 base metals.

27 I would like to insert there a new thought,
28 and that is that I believe there is traffic capable of
29 being developed in the north, creating new tonnage
30



1 which does not now exist, by processing raw material,
2 etc., which could be hauled by the railways profitably
3 to them, at rates lower than now offered, which would
4 then be a good business bargain between the railways,
5 who would earn a profit, and the province, who would
6 be able to develop its resources.

7 Let me mention two details. There are trees
8 in our forest areas now growing to an age where they
9 will start to rot and be of no use. If they could be
10 harvested this would be wealth for the provinces. There
11 is water running down rivers which could be making
12 power. Therefore, Manitobans are being denied oppor-
13 tunities for work and wages.

14 I think, in substantiation of my point about
15 that being a good bargain, as a layman, knowing nothing
16 about transport, it seems to me we are hauling a
17 great many railway cars back from Churchill, after
18 leaving their grain there, that are empty. If the
19 train would only pause long enough at a pulp mill or
20 a paper mill to put on some pulp or paper, whatever
21 the case may be, it may well be hauled back to the
22 south of the province at rates which would be profit-
23 able to the railways, and which would be very much
24 lower than those now published.

25 However, as indicated earlier in this
26 submission, a major impediment to the development of
27 the resources of Northern Manitoba is high transportation
28 costs. These costs are critical for the whole pro-
29 cess of development. In some degree these high
30



1 transport costs and their influence on the northern
2 economy are the result of longer distances from markets
3 and sources of supplies. The present railway freight
4 rates policy accentuates these geographical influences
5 and is an important element impeding the economic
6 growth of the region. This policy results in a freight
7 rate structure which cannot facilitate maximum develop-
8 ment particularly in the utilization of the area's
9 forestry resources. Not only is the present freight
10 rates structure not capable of serving the requirements
11 of the northern areas for development but in fact it
12 serves to aggravate the disabilities under which opera-
13 tions are carried out in remote areas. In consequence,
14 it tends to encourage growth in the settled, developed
15 regions of Canada where competitive transportation
16 facilities exist and discourages the economic expansion
17 of the underdeveloped regions of western and northern
18 Canada where competitive and commodity rates tend not to
19 be established and where there is reluctance to institute
20 development rates.
21

22 The Government of Manitoba development programme
23 is designed to broaden the base of the northern economy.
24 It is designed to encourage and promote greater invest-
25 ment by private enterprises in developing the region's
26 natural resources thereby resulting in increased and
27 diversified economic activities. Successful implemen-
28 tation of the Government's programme requires more
29 favourable railway freight rates than those now in effect.
30 Recent experience in attempting to attract major



1 industrial and investment groups to establish large-
2 scale resource development projects in Northern
3 Manitoba indicates a reluctance to adapt the present
4 freight rate structure to provide a level of rates which
5 will be sufficiently favourable to make these projects
6 economic to anything like the degree possible and
7 desirable in the national interest.
8

9 The present high freight rates affect in par-
10 ticular the two primary industries which form the basis
11 for northern economic development: forestry and mining.
12 They determine the extent to which forest and mineral
13 resources can be brought into production.

14 High freight rates are the primary cause of
15 the serious underdevelopment of the extensive forestry
16 resources of Northern Manitoba. These resources which
17 contain ten million cords of pulpwood in an area of
18 some 10,000 square miles are adequate to support a
19 large-scale newsprint operation. In current negotia-
20 tions for establishment of an integrated forest pro-
21 ducts project in Northern Manitoba to manufacture
22 newsprint and wood pulp, a constantly recurring
23 obstacle has been the absence of sufficiently attractive
24 railway freight rates to Canadian and United States
25 markets. The existing freight rate structure has
26 delayed establishment of a pulp and newsprint mill in
27 the area.

28 In the case of the mining industry in Northern
29 Manitoba, the level of freight rates on outbound ship-
30 ments of ore concentrates and metals and on inbound



1 shipments of mining supplies and equipment is a major
2 element in the further development and expansion of the
3 industry. The Government's policies for promoting
4 the growth of the mining industry are designed to
5 encourage and facilitate expanded programmes of explora-
6 tion, development and production of minerals, and the
7 establishment of smelting and refining plants for
8 the processing of ores.
9

10 Successful implementation of these programmes
11 by both Government and private interests requires a more
12 favourable level of freight rates for the products of
13 the mining industry. Such a rate level would encourage
14 more active participation in the industry by smaller and
15 medium sized companies and would make possible a broad-
16 based development of the industry in the north. It
17 would also tend to reduce the undesirable effects of
18 "high grading" of ore associated with the operation of
19 mines in remote areas with high transportation costs.
20 As a result of the burden imposed by high transport
21 costs, only ores of top quality can be economically mined
22 and ore deposits which are not of sufficiently high
23 quality are not brought into production. Production
24 is therefore imbalanced and the maximum development of
25 the mining industry is impeded.

26 High transportation charges are also having
27 a detrimental effect on the operations of the estab-
28 lished base metal mines in northern Manitoba. For
29 the longer term this situation will result in a
30 diminution of incentives to re-invest in these projects



1 and hence in the scale of operations of the mines and
2 associated plant facilities. While commodity freight
3 rates are in effect for the bulk of the traffic, the
4 successive increases in freight rates in the postwar
5 period have added greatly to the costs of operation and
6 have reduced profit margins. As a result, new ore
7 bodies must be progressively richer, that is they must
8 have a greater content of recoverable metal to warrant
9 their development at the present time as compared with
10 the quality of ore reserves that could be mined
11 profitably ten or twenty years ago.

12
13 Extension in recent years of highway connec-
14 tions between Flin Flon, The Pas, and Winnipeg and
15 intermediary supply centres in southern Manitoba has
16 led to institution of competitive railway freight rates
17 for many of the consumer items that enter into the cost
18 of living in these communities. In the case of other
19 communities in Northern Manitoba, however, such as Lynn
20 Lake, in the absence of competitive means of transport
21 and because of the smaller quantities often involved,
22 substantially higher freight rates are in effect.
23 These higher transportation costs lead to higher prices
24 for consumer goods. High freight rates, of course,
25 do not account entirely for the high prices of many
26 consumer commodities in the north. There are other
27 elements such as costs of heated storage. Freight
28 rates are, however, an important contributing factor
29 to the price level. As in the case of the climate, the
30 higher cost of living in Northern Manitoba is not a



1 major deterrent to investment but it does impose an
2 additional cost burden on the companies which operate
3 in the region.

4 The Port of Churchill and Northern Develop-
5 ment: The port of Churchill, the northern terminus of
6 the Canadian National Railways' Hudson Bay Line in
7 Northern Manitoba, is the only ocean port in the
8 prairie provinces. Its importance has grown in recent
9 years and shipments through the port via the Hudson
10 Bay route can be expected to increase in volume. The
11 growth of import traffic will be dependent, however, on
12 the reduction to adequate levels of railway freight
13 rates for southbound shipments. The volume of grain
14 shipped through Churchill has increased substantially
15 during the past few years -- with resultant savings in
16 transportation charges -- and imports of a variety of
17 goods from Europe through the port have also shown an
18 increase. During the 1959 navigation season exports
19 through the port totalled almost 22 million bushels of
20 wheat (660,000 tons). Imports consisted of nearly
21 6,000 tons of general cargo, 37,000 tons of petroleum
22 products and 23,000 tons of copper-nickel concentrates.
23 The growth of shipping at Churchill, now and in the
24 future, makes it necessary that certain improvements
25 and enlargements of the existing harbour facilities
26 be carried out and the Government of Manitoba has
27 stressed to the federal authorities the urgency of
28 proceeding with the required works. Maximum use of
29 the port will not be made, however, under existing
30



1 rail freight rates.

2 Recommendations.

3 National transportation policy and regional
4 economic development: The Premier in his submission
5 has presented the recommendations of the Government of
6 Manitoba with respect to the legislative and other
7 changes that should be made, in furtherance of national
8 economic policy, to remove or at least to alleviate the
9 principal inequities in the present freight rate
10 structure as they affect the economy of Manitoba. The
11 Premier has also placed before you our recommendations
12 as to measures for ensuring a more equitable dis-
13 tribution of the transportation burden as it affects
14 the shippers of our province.
15

16 -

17 -

18 -

19 -



1 Transportation has played a major role in
2 the economic development of the various regions of
3 Canada. National transportation policy has been
4 designed to foster and to promote the development of
5 all the regions of Canada for the benefit of the entire
6 nation.

7 The Government of Manitoba recommends that:

- 8 1. The Commission in reappraising the role of
9 national transportation policy today give
10 careful consideration to its effectiveness
11 in encouraging regional economic growth and
12 expansion, and that the Commission recommend
13 such changes in national transportation policy
14 as are required to reaffirm its positive role
15 in facilitating the development of the
16 various regions of the country. In this
17 connection, we are of the view that examina-
18 tion is required in particular of the deter-
19 ring effects of present transportation rates
20 and freight classifications on the industrial
21 growth of the less developed regions of
22 Canada.
- 23 2. The Commission examine the deterring effects
24 of the present freight rate structure on
25 intra-regional development with a view to
26 recommending removal of the inequities and
27 distortions in the freight rate structure
28 as between different areas in a region.
29 Not only does the present freight rate
30



1 structure result in inter-regional inequalities
2 in opportunities for industrial development but
3 it also results in intra-regional inequalities in
4 opportunities for industrial growth and expansion.
5 Decentralization of industry in the rural areas of
6 the provinces, including Manitoba, requires a
7 level of freight rates that will encourage local
8 industrial development and growth.

9 Development Rates for The Canadian North:

10 The present freight rate structure cannot facilitate
11 maximum development of the resources of Northern Manitoba.
12 Development of these resources will result, we submit,
13 in increased and diversified economic activities which
14 will provide greater rail traffic and revenues. Rate
15 reductions will stimulate the creation of entirely new
16 traffic -- this is the point which I made earlier and
17 it is one which I regard as being very important -- and
18 will increase the volume of existing traffic. There
19 appears to be, however, a disposition on the part of
20 the railways to conform to existing traffic patterns,
21 administrative procedures and competitive arrangements
22 which inhibit their ability to make the necessary ad-
23 justments in the freight rate structure.

24 Implementation of national policy for the
25 economic development of the Canadian north therefore
26 requires, in our view, the institution of development
27 rates or alternatively a measure providing for a
28 northern development freight rates subsidy to enable
29 the railways to reduce the level of rates. There
30 is precedent for such a measure of assistance



1 in the particular national policies that are designed
2 to assist the various regions of Canada in their
3 economic development by means of specific subsidies
4 from the federal government for the reduction of freight
5 rates to shippers in these regions. Such assistance
6 should properly be borne by the national government as
7 part of its national development policy. It would
8 enable the railways to institute a level of rates
9 that would facilitate the development of the northern
10 regions.

11 The Government of Manitoba therefore recom-
12 mends that the Commission:

- 13 1. Examine the impact of the present railway
14 freight rate structure on the development
15 of the Canadian north, including Northern
16 Manitoba.
- 17 2. Investigate the means whereby there could
18 be instituted development rates or alter-
19 natively a northern development freight rates
20 subsidy for shipments to and from the northern
21 regions based on the principle underlying
22 either the Maritime Freight Rates Act or the
23 East-West Bridge Subsidy.

24 That is the end of the presentation, Mr.
25 Chairman.

26 THE CHAIRMAN: Thank you. Now, who is
27 first, Mr. McDonald or Mr. Sinclair?

28 MR. McDONALD: Mr. Macdougall will cross-
29 examine.
30



1 CROSS-EXAMINATION BY MR. MACDOUGALL:

2 Q. Mr. Evans, I would like to compliment you
3 on the excellence of the brief which you presented,
4 and I am sure it will be of great help to the Commission,
5 and particularly in respect to the way in which you
6 described the importance of new industries which Manitoba
7 is attempting to develop under your leadership.

8 First of all, sir, I think that perhaps it is
9 fair to say that we might advise the Commission that in
10 respect of your industrial development, your organiza-
11 tion has been working with the Canadian National; you
12 have invited us to sit down with you and discuss some
13 of your problems, and we have been very glad to do that.
14 You have had contact with our president Mr. Gordon, and
15 I think we can fairly say that we are proceeding with
16 those discussions in an aura of cooperation and we both
17 hope that we will do well from it.

18 A. I would like to add that I had the
19 occasion to call on Mr. Crump as well; he did me the
20 courtesy of coming down on Saturday morning and spent
21 some hours with me then, and I called on Mr. Gordon in
22 Montreal.

23 Q. In connection with the matter of northern
24 development I think, Mr. Evans, that you spoke of the
25 empty cars coming back from Churchill that couldn't be
26 employed in bringing newsprint and pulpwood. We would
27 be very glad to have that traffic if it was offered at
28 just and reasonable rates, but some of the rates, I
29 believe, that were quoted on pulpwood as a result of
30



1 these negotiations have not been?

2 A. That is right, not sufficiently just or
3 sufficiently reasonable. Let me say that I am afraid
4 that is rather a smart alec answer and I didn't mean
5 to say it that way. I recognize and regard it in the
6 brief to perhaps the existing arrangements or compari-
7 sons with the railways, and I understand that they
8 are forced to keep that in mind when considering the
9 development of rates.
10

11 Q. With respect to the rates, Mr. Evans, you
12 agree with me, I think, that the level of freight rates,
13 no matter for what purpose they might be put in should,
14 as a basic rule, return the railway company their
15 variable cost of operation plus some contribution to
16 overhead; would you say that is fair?

17 A. I think all the rates that are charged
18 to the railways -- the same point was raised by the
19 other counsel in my hearing recently. The railways
20 must have enough money to operate on, but that doesn't
21 mean that each specific rate must be singled out in
22 that way.

23 Q. You wouldn't say that every single rate
24 must return all the rail cost and overhead cost
25 associated with that equipment?

26 A. No. My approach is from the point of
27 view of Manitoba as a whole in comparison with other
28 regions, and then within Manitoba it is certain
29 regions versus other regions.

30 Q. The position in my company is that no



1 freight rate should be quoted and used by the Canadian
2 National unless it represents a return of the variable
3 cost of moving the traffic that it is quoted on, plus
4 some reasonable contribution to overhead.

5 A. I think we would be very glad to sit
6 down and examine with you all the rates in that con-
7 nection and see to what extent you are able to demon-
8 strate that, see which rates are able to be determined.

9 Q. You wouldn't suggest to the railway that
10 in order to develop a certain area the rates should be
11 quoted, which would be what we would call non-compen-
12 satory; that is not a very good ---

13 A. My point in that connection was that
14 towards the end of my presentation I believe I men-
15 tioned there are opportunities for reduction of rates
16 that would still be profitable or, let me say, com-
17 pensatory to the railways.

18 Q. Have you had any experience in the
19 Province of Manitoba with the development rates being
20 put in in the past, that you are familiar with?

21 A. Not that I am directly personally
22 familiar with.

23 Q. You don't know of any?

24 A. I am sorry, I have no advice on that
25 subject and I have no personal connection with it.

26 Q. Our experience has been that the
27 development rates -- and probably you have been told
28 this before -- but where we have put a rate in, a low
29 rate, to help develop an industry in a certain area,
30



1 and the industry has built up its economics to that
2 rate, it is very difficult in two or five or ten years'
3 time to say that they have to pay 50 per cent more be-
4 cause we helped them out in the early stages.

5 A. I think I contemplated that in the pre-
6 sentation; there are rigidities, and I would suggest it
7 is a matter that the Commission might well concern itself
8 with, if there must be dislocation as there is when there
9 is any economic change or change of industries, and then
10 there is what I have described, or used the term, an
11 impact upon the economy of the country, and that should
12 be studied and well I recognize your difficulties, but
13 I must plead them just for the Manitoba people and
14 producers.

15 THE CHAIRMAN: You are pleading for infant
16 industries, I understand?

17 THE WITNESS: Infants and for growing boys too,
18 sir.

19 MR. MACDOUGALL: Q. Just one comment as to
20 paragraph 35 on page 16, Mr. Evans; this is not a major
21 point but you make a comparison there between the rates
22 on lignite coal from Bienfait to Pine Falls of 21 cents,
23 and the rate ---

24 A. And the rate to Fort Frances.

25 Q. And the rate to Fort Frances, and I would
26 just point out that I am not sure you are aware of this,
27 that the rate to Fort Frances is an agreed charge put in
28 to meet American coal competition and to enable the
29 Green Bay producer to get into a long-established
30



1 American market, whereas the other rate is a low rate
2 on lignite coal?

3 A. I think you point to our basic difficulty
4 there in the west, that we don't have the competition
5 to offer out here which does force the railways down,
6 and that is why the long-haul rates have had to take
7 such a large percentage of the increase.

8 Q. Of course, Fort Frances is in the west,
9 and that is the rate there; there is an agreed charge
10 which was put in to meet the competition, so this is an
11 example of that in the West?

12 A. In the west of Ontario.

13 Q. You don't include Fort Frances as being
14 in the west?

15 A. We are very good friends with Fort Frances
16 and the western part of Ontario, but I think the posi-
17 tion is in dealing with the point of competition rather
18 than just east versus west. I think it is a basic
19 disadvantage which we suffer under and would like to
20 see improved.

21 Q. Your general theme is that you are urging
22 the Commission to hear the story of the development of
23 Manitoba and its requirements and to do what they can
24 within the confines of their ability and the law to see
25 that their rates are as low as possible to help the
26 industries?

27 A. As low as possible and also to overcome --
28 I don't want to say unfair competition -- to overcome
29 the disadvantages in which our producers find themselves
30



1 in comparison with people in other regions.

2 Q. And these disadvantages wouldn't entirely
3 be because of the rates?

4 A. I would say only as far as they yield to
5 competition, and in all of these things I think -- I
6 would like to return to the point you brought to our
7 attention, and I am glad you did, that we in Manitoba
8 want to approach the railways for transportation facili-
9 ties in terms of people who would like to do things to-
10 gether; trying to find an opportunity for both of us,
11 and certainly not in a spirit of trying to assess the
12 blame.

13 Q. I think you can feel free to know that
14 the Canadian National will extend you all the cooperation
15 it can.

16 A. I certainly appreciate that.

17 Q. Thank you.

18
19 CROSS-EXAMINATION BY MR. SINCLAIR:

20 Q. Mr. Evans, you made some response at page
21 17, according to my notes, about expenditures in
22 Manitoba on highway construction. According to my
23 note, I think you said something in the nature of \$33
24 million of capital expenditures, and that is at page
25 17, and you also made reference on page 10 to road
26 construction and the joint federal-provincial Roads to
27 Resources programme?

28 A. Yes.

29 Q. Were you and the advisers in the Government
30



1 of Manitoba provided with the expenditures for capital
2 and maintenance on roads in Manitoba, federal, pro-
3 vincial or municipal, say, for three or four years
4 back?

5 A. Certainly we can provide you with pro-
6 vincial -- I am sure we can. As to the federal, I
7 might need to ask my advisers where we can get those.
8 We can give you municipal and provincial.

9 Q. Capital and maintenance?

10 A. Yes, we will be very happy to. That
11 would include all kinds of roads; market roads as well
12 as the municipal roads and provincial trunk highways?

13 Q. Yes.

14 A. We will be very happy to.

15 Q. Thank you, sir. Now, the thought
16 occurred to me, Mr. Minister, when you were discussing
17 the horizontal percentage increase, and I was wondering
18 if your government, in view of its concern with the low
19 rate of traffic and the fact that there is this high
20 rate of traffic, if they gave any thought to a pro-
21 position that possibly percentage increases in the
22 future, if they are required, would be applied only
23 or to a lesser extent on traffic, say, moving at less
24 than 3 cents per ton mile, that they would take a
25 larger increase and then those over, say, 3 cents a
26 ton mile would take the higher increase?

27 A. Well, the proposal was contained in the
28 Premier's brief, and my understanding is that our
29 advisers are prepared to elaborate on the details of
30



1 the plan or how it might be adopted. I must confess
2 that my own attention has been on the industrial angle
3 of this, and I think I would rather that question were
4 answered by our advisers later.

5 Q. But in the discussions and where you
6 found that your industries had some difficulty, you said,
7 as to being harmed, in their view, by percentage in-
8 creases and particularly the long haul industrial
9 movement, I was wondering if there had been any discus-
10 sion in the way of increasing rates in the way which I
11 have suggested.

12 A. So far as that is concerned, I am not
13 aware that we asked the individuals that we consulted,
14 the 35 manufacturers and 28 distributors, I am not aware
15 we asked them any questions on that subject.

16 Q. Now, Mr. Minister, you have a new industry
17 in Manitoba that is getting ready to go into production
18 at Portage la Prairie, the Campbell Soup Company?

19 A. Yes.

20 Q. And in connection with the location of
21 that industry, I think you know that Canadian Pacific
22 worked very closely with them in regard to location and
23 have had many discussions with them concerning the move-
24 ments in of their product and their movements out,
25 particularly their movements out to eastern Canada?

26 A. I imagine so; I have no professional
27 interest.

28 Q. You are not, as Minister of Industry and
29 Commerce, suggesting to this Commission that the rates
30



1 that Canadian Pacific are to provide Campbell Soup
2 are any detriment to the outbound canned goods or
3 outbound other products of that particular new industry?

4 A. I am not familiar with the particular
5 agreement or arrangement or discussion that has been
6 carried on, so it is not possible for me to say.

7 Q. It is a very important new industry for
8 Manitoba?

9 A. Yes.

10 Q. And they have not complained to you or
11 asked your assistance in regard to negotiations with the
12 railways concerning their rates, have they?

13 A. Not to me personally.

14 Q. Well, in a very large community like that,
15 if there was any real difficulty you would think that
16 the minister would have been brought into it, don't you?

17 A. Not necessarily. I don't think the time
18 has arrived where it would be right for any government
19 to interfere in negotiations between two private parties.

20 Q. You don't know of any difficulties, that
21 is, as far as you know, and will you do this: if there
22 has been any difficulty with the officials at your
23 department, maybe you would advise the Commission of
24 that?

25 A. If there have been difficulties which were
26 drawn to my attention, but I don't think it would be
27 natural for the Campbell Soup Company to come running
28 to me as the minister, or to my department, to say that
29 they had had difficulties negotiating with you.
30



1 Q. So that the very fact that they are
2 locating and going ahead indicates that satisfactory
3 arrangements for that industry, at least, have been
4 able to be worked out?

5 A. And that they have been able to start
6 one factory and at a freight rate which I am not able
7 to say whether they think is satisfactory or not. I
8 don't think I should be asked to give testimony on
9 their part.
10

11 Q. Mr. Minister, the Minister of Agri-
12 culture told the Commission this afternoon that fifty
13 to seventy per cent of the Manitoba flour output was
14 exported from the province. The milling in transit
15 arrangements provided by the railways -- you would
16 agree that that is the reason there is such a very
17 large milling industry located in this province as
18 against the millers in the east?

19 A. It is a considerable advantage, yes.
20
21 -
22
23 -
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26 -
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28 -
29
30 -



1 Q. The Manitoba Federation of Agriculture
2 told the Commission yesterday that agreed charges on
3 butter and competitive rates on meat and packinghouse
4 products had benefitted the livestock producers. It
5 is not the position of the Minister of Industry and
6 Commerce, is it, that these rates while being of
7 assistance to the producers are a detriment to the
8 creamery or packinghouse industries of Manitoba?

9 A. I wish I could follow that. Would
10 you mind repeating it?

11 Q. What I am saying is this: we were told
12 by the Manitoba Federation of Agriculture yesterday
13 that the agreed charges on butter ---

14 A. From where to where?

15 Q. From Manitoba to the east; and the com-
16 petitive rates -- they said "agreed charges", but they
17 are competitive rates -- the competitive rates on meat
18 and packinghouse products from Manitoba to the east
19 have been of assistance to the producers of livestock?

20 A. I think that is right.

21 Q. Now, my question is: it is not your
22 position as Minister of Industry and Commerce that these
23 rates that are of assistance to the producers are a
24 detriment to the packinghouse and creamery industries
25 of Manitoba?

26 A. We would have to consider whether or not
27 this proposition is correct, that the packinghouse
28 industry and perhaps the dairy industry operate, as
29 it were, on a service charge, and that in the case of
30



1 grain the net, after deduction of all costs of trans-
2 portation, etc., goes to the farmer. I think the
3 packinghouse industry by its pricing policies, generally
4 speaking, acts on a service charge, a processing charge,
5 and for that reason I don't think the point applies.
6 Somebody else pays the bill.

7
8 Q. Therefore, the packinghouse industry or
9 the creamery industry would be in no different position
10 from the producer, because you are saying they are not
11 interested in the charges?

12 A. Oh, I think if it benefits the producer,
13 those are the people who get the benefit.

14 Q. The railway industry, Mr. Evans, is an
15 important industry in Manitoba, you will agree?

16 A. Yes.

17 Q. And the importance of the well-being of
18 the railway industry is a matter, I am sure, of interest
19 to you as Minister and to your Government?

20 A. We have said in the brief we believe
21 there must be good transportation facilities for the
22 province.

23 Q. And the well-being of the railway industry
24 itself is an important point -- it is a matter of
25 concern to you and your government?

26 A. Their maintenance of adequate facilities,
27 efficiently run, is our concern.

28 Q. And also the fact that they should be
29 financially sound?

30 A. They have to be financially sound to



1 continue to provide those services.

2 Q. Do you know of a larger payroll in the
3 City of Winnipeg than that of Canadian Pacific and
4 Canadian National combined?

5 A. I don't know. I haven't seen a list of
6 those.

7 Q. You would agree, wouldn't you, that it
8 would be a serious situation for Manitoba if the railway
9 management came to the conclusion that the climate, for
10 instance, was such that their maintenance of their
11 rolling stock should be transferred, say, from Winnipeg
12 to Montreal?

13 A. Maintenance of the rolling stock for the
14 Western Division?

15 Q. Yes.

16 A. Is that proposed?

17 Q. I am saying, it would be a serious thing
18 if the climate became such that railway management felt
19 it would be necessary to transfer all their maintenance
20 of their rolling stock out of this city and out of this
21 province?

22 A. In the only field in which I operate,
23 that would be called a hypothetical question.

24 Q. I don't think it is hypothetical. It
25 is quite possible to maintain rolling stock, for in-
26 stance, at different ends of cycles, and cycles can
27 be operated so that they can be maintained possibly in
28 one place and possibly in another place. My only
29 question is, it would be a serious thing to Manitoba if
30



1 the climate was such that the railway industry felt, or
2 part of the industry felt, that that would be a neces-
3 sary step to take?

4 A. I think perhaps you are asking me to
5 admit that the railways provide employment here in their
6 maintenance shops, and, yes, they do, and we want jobs
7 for Manitoba and we welcome that. I think I should
8 indicate that all those costs are fully absorbed, and
9 it is of interest that the railways made money in
10 years of high grain traffic.

11 Q. May I say this to you, in view of your
12 great ability as a statistician and your long association
13 with it, that I am sure if you study the situation,
14 that the explanation of what is an apparent debating
15 point does not really have any foundation?

16 A. I will examine it.

17 MR. SINCLAIR: May I say that I think the
18 minister's brief as it is presented, and his department
19 officers who, I am sure, were his assistants and
20 advisers, maintains the very high standard of the briefs
21 we have heard in Manitoba.

22 THE WITNESS: I take that as a compliment.

23 MR. MAURO: Mr. Chairman, that represents
24 the submissions for the Province of Manitoba.

25 PREMIER ROBLIN: Mr. Chairman, I do not
26 intend to detain you, but I would not like you to leave
27 this city and this province without saying an informal
28 but at the same time very sincere expression of gratitude
29 for the close attention and time you have given to our
30



1 problems here. We have enjoyed the exchange of views
2 between members of the government and the gentlemen who
3 have other responsibilities here, and our only hope
4 is that we may have been able to add something to the
5 ideas that you must consider when you come to solve
6 this very difficult problem.

7 We thank you very kindly for your close
8 attention to what Manitoba has had to say, and we
9 wish you Godspeed and every good wish in your very
10 important task.

11 THE CHAIRMAN: Thank you, Mr. Premier. We
12 all appreciate very much the interest that has been shown
13 here. I do not think it would be possible to have
14 greater interest than we have had here in Manitoba.
15 The galleries we have had from the farmers in the
16 past three days have been inspiring, and the interest
17 shown and the work done on the briefs has also been
18 inspiring. We want to thank Mr. Mauro very much
19 for the assistance he has always given to us.

20 We will adjourn now to Regina tomorrow
21 morning at ten o'clock.

22 ---Adjournment.
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30



ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held
in the Y.M.C.A. Building,
Regina, Saskatchewan, on the
12th day of February, 1960.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. A. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.

Mr. G. S. Cumming

Mr. H. W. Ellicott Adviser

Mr. F. W. Anderson

Secretary

Major N. Lafrance

Assistant Secretary



Regina, Saskatchewan,
Friday,
February 12, 1960.

---On commencing at 10.00 a.m.

THE CHAIRMAN: Well, gentlemen, will we
come to order, please.

I would ask the Secretary to please read the
terms of reference of this Royal Commission.

THE SECRETARY: Mr. Chairman, I read from
the Privy Council Order 1959-577, of the 13th of May, 1959.

"The Committee of the Privy Council have had
before them a report from the Right Honourable
John G. Diefenbaker, the Prime Minister, stating
that it is in the national interest that a compre-
hensive and careful inquiry be made with all
reasonable despatch into problems relating to railway
transportation in Canada and the possibility of
removing or alleviating inequities in the freight
rates structure.

The Committee, therefore, on the recommendation
of the Prime Minister, advise that

Herbert Anscomb, Victoria

Archibald H. Balch, Ottawa

Rene Gobeil, Quebec

M.A. MacPherson, Sr., Regina

Howard Mann, Moncton

Honourable Charles P. McTague, Toronto

Arnold Platt, Lethbridge



"be appointed Commissioners under Part I of the Inquiries Act to inquire into and report upon the problems relating to railway transportation in Canada and the causes thereof, and to recommend solutions thereto, and in particular, without restricting the generality of the foregoing, the Commission shall consider and report upon:

- (a) inequities in the freight rate structure, their incidence upon the various regions of Canada and the legislative and other changes that can and should be made, in furtherance of national economic policy, to remove or alleviate such inequities;
- (b) the obligations and limitations imposed upon railways by law for reasons of public policy, and what can and should be done to ensure a more equitable distribution of any burden which may be found to result therefrom;
- (c) the possibilities of achieving more economical and efficient railway transportation;
- (d) whether, and to what extent, the Railway Act should specify what assets and earnings of railway companies in businesses and investments other than railways should be taken into account in establishing freight rates; and
- (e) such other related matters as the Commissioners consider pertinent or relevant to the specific or general scope of the inquiry.

The Committee further advise:

1. That the scope of this Commission shall not



1 extend to the performance of functions which
2 under the Railway Act are within the exclusive
3 jurisdiction of the Board of Transport
4 Commissioners;

5 2. That the Commissioners be authorized to
6 exercise all the powers conferred upon them
7 by section 11 of the Inquiries Act, and be
8 assisted to the fullest extent by government
9 departments and agencies;

10 3. That the Commissioners adopt such procedure
11 and methods as they may from time to time deem
12 expedient for the proper conduct of the
13 inquiry and sit at such times and at such
14 places in Canada as they may decide from time
15 to time;

16 4. That the Commissioners be authorized to engage
17 the services of such counsel, staff and tech-
18 nical advisers as they may require at rates of
19 remuneration and reimbursement approved by
20 the Treasury Board;

21 5 That the Commissioners report to the Governor
22 in Council with all reasonable despatch; and

23 6 That the Honourable Charles P. McTague be
24 Chairman of the Commission.

25 R.B. Bryce,
26 Clerk of the Privy Council."

27 I also read, sir, from Privy Council Order
28 195-1628, dated the 22nd of December, 1959.

29 "The Committee of the Privy Council have had
30 before them a report from the Prime Minister



1 submitting that the Honourable Charles P.
2 McTague has, by reason of ill health, asked to
3 be relieved of the responsibilities placed on
4 him as member and chairman of the Royal
5 Commission on Transportation to which he was
6 appointed by Order in Council P.C. 1959-577
7 of 13th May, 1959.

8 The Committee accordingly advise that
9 Mr. McTague's resignation as a member and
10 chairman of the said Commission be accepted
11 and that Murdoch Alexander MacPherson, Esquire,
12 Q.C., a member of the Commission, be Chairman
13 thereof.

14 (sgd.) R.B. Bryce
15 Clerk of the Privy Council."

16 THE CHAIRMAN: Gentlemen, I can assure
17 you that it is a very great pleasure for me to be back
18 in Regina again, and I wish to present to you the
19 Members of our Commission.

20 On my left is Mr. Balch from Ottawa, who is
21 the Secretary of the Trade Union. Next, is Dr.
22 Gobeil from Quebec, who has a Phd. from McGill University.
23 Next is Mr. Anscomb, who is from Victoria and who, for
24 seven years, I think, was Minister of Finance in the
25 Province of British Columbia. Next is the baby of
26 the lot, Mr. Mann, who comes originally from Toronto,
27 but who is from the Maritime Provinces, not a bad place
28 to come from. And, then, there is Mr. Platt from
29 Alberta, who has a Master of Science degree from the
30 University of Alberta, and who was past president of



1 the U.S.A. in Alberta.

2 Now, gentlemen, we are very glad to be here.
3 We have just come from Winnipeg where we had a very
4 full menu. As a matter of fact, I think we had the
5 record for sittings of a Royal Commission, in that on
6 Wednesday we started at 9.30 in the morning and
7 continued until 11.30 at night. The inspiring part
8 of the Winnipeg meeting was that we had, I think, about
9 200 farmers who had stayed in attendance and remained
10 there until 11.30 on Wednesday night before we adjourned,
11 and that was a most inspiring thing to us.

12 Now, gentlemen, what we can do as a commission
13 dealing with these problems we cannot at the moment
14 say. We can promise nothing definitely, other than,
15 as men of goodwill, we will do everything that we
16 possibly can in the interests of this whole country
17 without regard to any part of it.

18 Now, it has been brought to my attention that
19 you have an agenda here in which you indicate how the
20 submissions are to be made, and my colleagues have
21 called to my attention, and I agree with them, that the
22 submission of the Saskatoon Board of Trade is a very
23 important one and contains a great deal of material
24 and probably a night should be spent on further study
25 of it. Would it be possible to have it arranged
26 so that we could start tomorrow morning on that? Would
27 it inconvenience anybody?

28 MR. DOHERTY: Mr. Chairman, I have had a
29 chance to speak briefly to Dr. Winch, who will be
30 presenting the report. We appreciate this is a



1 considerable brief, and most of my friends have not
2 had a chance to review it.

3 THE CHAIRMAN: Perhaps you would
4 consider reading in the brief and having Dr. Winch stand
5 down for cross-examination.

6 MR. DOHERTY: Perhaps we could.

7 THE CHAIRMAN: I think, in fairness
8 to the Commission and Counsel that, after he reads it
9 in, then cross-examination by the railways or by
10 commission and council will be tomorrow.

11 MR. DOHERTY: Yes, if we could arrange that,
12 sir.

13 THE CHAIRMAN: Now, Mr. Doherty,
14 as counsel for the province, you may commence.

15 MR. DOHERTY: Thank you very much, Mr.
16 Chairman.

17 May I first call upon the Premier of
18 Saskatchewan, the Honourable Mr. T.C. Douglas, who will
19 make a short statement.

20 PREMIER DOUGLAS: Mr. Chairman and members
21 of the Commission, I would like first of all to welcome
22 your commission to our province, and to say that it is
23 a great honour for us to have you visit Saskatchewan.
24 We are particularly honoured by the fact that the
25 Chairman is one of our outstanding citizens, a former
26 Attorney-General and Provincial Treasurer of the
27 Province, and a leading barrister in Saskatchewan.
28 And, for that reason, your presence here is doubly
29 welcome.

30 Your task is one of tremendous significance



1 to Canada, to Saskatchewan, and to Canadian commerce
2 in its broadest sense. Transportation is perhaps the
3 greatest single factor which can either pull our nation
4 together into a cohesive unit with each part making
5 its best contribution to Canada, or pull our nation apart
6 with each section becoming an individual unit living
7 by itself and unable to take proper advantage of contri-
8 butions from other parts of the country.

9 The Government of Saskatchewan will present
10 its submission at Ottawa later in your inquiry. At
11 that time we will analyze the fundamental issues
12 as we see them and will propose to the Commission such
13 solutions which appear to us to be in the best interests,
14 not only of Saskatchewan, but of Canada as a whole.

15 Solutions to be proposed must wait until our
16 brief is presented. At this time I would like,
17 however, to draw attention to two vital matters which
18 are constantly before the people of Saskatchewan and
19 which seem to constitute a perpetual threat to the
20 welfare of this province. One is the continuous
21 attack on the Crow's Nest Pass rates on grain; the other
22 is the tremendous burden which we in Saskatchewan bear
23 in the total transportation picture.

24 I would like first to state most clearly
25 and unequivocally our views on the Crow's Nest Pass
26 Grain Rate issue which has been raised in this inquiry.
27 This is more than just a matter of freight rates in
28 Saskatchewan. The Crow's Nest Rates have been
29 described as the Magna Charta of the western farmer --
30 his Bill of Rights. To a very large extent these



1 rates determine Saskatchewan's place in the economic
2 structure of Canada and have a significant impact on
3 Canada's role in world commerce.

4 I do not presume to offer advice at this time
5 as to how to meet the financial problems with which the
6 railways claim they are faced. However, we do feel
7 that western farmers already pay a fair share, or
8 better than a fair share, of the railways' requirements.
9 In fact we would go so far as to suggest to this
10 Commission that the average Saskatchewan farmer makes
11 a higher contribution toward railway requirements
12 than any other group of individuals in Canada.
13 Consequently, the western farmer resents most strongly
14 the implication of the railways' proposals that the sub-
15 sidy which they are asking for is in reality a government
16 handout to cover additional amounts which the farmers
17 should be paying to the railways.

18 National Policy was unquestionably
19 designed to ensure a western market for the protected
20 industries of central Canada and guarantee the resulting
21 east-west traffic to Canadian railways. But what
22 of the western farmer who has always faced the competition
23 of foreign producers in the markets of the world?
24 Some assurance of relief from high transportation rates
25 was the obvious intention of the Government as
26 reflected in the Crow's Nest Pass Agreement. However,
27 in 1925 a part of this agreed upon protection was
28 removed and western consumers of the products of
29 eastern industry were left fully exposed. Nevertheless
30 the attack on grain rates continued and the present



1 proposals made by the railways to this Commission can
2 have only one ultimate objective and inevitable result
3 -- the complete removal of the only remaining vestige
4 of the Crow's Nest Pass Agreement and the last and
5 only protection enjoyed by the prairie grain grower.
6 Without the purchasing power of the prairie farmer
7 eastern industry would suffer severe repercussions
8 -- without the traffic provided by the western farmer
9 in the export of his production and in the satisfaction
10 of his needs for producer and consumer goods Canadian
11 railways would be in a pitiable predicament indeed.

12 I want to make it unmistakably clear, Mr.
13 Chairman, that the Government of Saskatchewan sees no
14 justification whatever for any change in the historic
15 approach to railway freight rates for the transportation
16 of Canada's vital export grain. We are unalterably
17 opposed to any tampering with the present export grain
18 rate structure. We adhere to the principle that these
19 rates shall continue to be under the control of the
20 Parliament of Canada.

21 We trust that this Commission will make a
22 report which once and for all will put a stop to the
23 controversy on Crow's Nest Pass Rates and will give the
24 farmer assurance that this western agricultural bill
25 of rights will not be raised as the focal issue every
26 time the railways feel they need more money.

27 Secondly, I would also like to draw to the
28 attention of the Commission that our brief to be
29 presented later in Ottawa will stress the tremendous
30 impact on Saskatchewan of the rate increases which have



1 occurred since 1946. We feel the real problem in
2 Canadian transportation is not the Crow's Nest Pass
3 Grain Rates to which the railways have given such a great
4 deal of attention. The real difficulty lies in the
5 fact that railway transportation rates are getting so
6 high that they will soon reach the point where no
7 appreciable quantity of goods will move on long hauls and
8 shippers will have to take care of their transportation
9 needs in some other way.

10 This country, as much as or perhaps more than
11 any other country in the world, needs cheap transpor-
12 tation. Our people can only be pushed so far in paying
13 transportation costs before commerce will break down and
14 traffic dry up. If a Maple Creek rancher suffers a
15 freight increase of a dollar and a livestock producer
16 located near the Toronto market only a few cents, it will
17 not be long before the Maple Creek man is squeezed out
18 of the Toronto market. On the other hand if a con-
19 sumer in Saskatchewan pays a few dollars more for
20 bringing in his consumer goods compared to a few cents
21 more which an eastern consumer pays as a result of freight
22 rate increases, our standard of living must deteriorate
23 in relation to the standard of living in the east, and
24 fewer goods will be bought by our prairie people.

25 The action of the Government of Canada in
26 providing for a rollback of freight rates is a clear
27 vindication of the validity of the arguments presented
28 to the Transport Board by Saskatchewan and the other
29 Western and Maritimes Provinces. Out of the \$20 million
30 subsidy, the West, according to Mr. Knowles of the



1 Transport Board speaking to the Railway Committee, would
2 share to the extent of 56.7 percent compared to Central
3 Canada's 26.5 per cent. This reflects the
4 approximate ratio in which these areas would contribute
5 to any increase which might currently be applied,
6 although we have only about four million people in the
7 West compared to eleven or twelve million in Central
8 Canada.

9 This cannot go on, but although this is the
10 crux of the problem as we see it the railways counter
11 by making a proposal which implies that the West
12 should bear an even greater responsibility for
13 railways transportation costs.

14 We hope this Commission will not be misled
15 into accepting superficial suggestions for temporary
16 solutions of our transportation problem in Canada,
17 and we hope to be able to offer in our brief to the
18 Commission in June proposals for a solution which may
19 be satisfactory to all parts of our nation for years
20 to come.

21 THE CHAIRMAN: Well, Premier Douglas,
22 we thank you for your welcome, and we want to say that
23 this is the seventh province in which we have been
24 and in each instance we have been greeted by the
25 Prime Minister, which is a matter of great satis-
26 faction to us.

27 We want to say to you, because we know it
28 will interest you, that at no other time has a
29 Transportation Commission been recognized by the
30 provinces of Ontario and Quebec. But this time



1 we are able to say that Quebec is co-operating with
2 us, and we are going to Ontario, where we are meeting
3 Premier Frost, just as soon as we finish our
4 western trip. It speaks well, I think, for the whole
5 of Canada, that all provinces are at this time showing
6 an interest in the work of this Commission. It is
7 the first time that it has happened, and we thank you
8 for your welcome, and we will be listening with
9 interest to all you have to say.

10 Now, any questions for the Premier.

11 MR. COOPER: Mr. Chairman, in view of the
12 fact that I understand the Government of Saskatchewan
13 will be presenting its submission Ottawa later on,
14 I consider that I need ask no questions at this time
15 of the Premier. Thank you very much.

16 THE CHAIRMAN: Mr. Dickson?

17 MR. DICKSON: Thank you, Mr. Chairman.

18
19 CROSS-EXAMINATION BY MR. DICKSON:

20 Q. Representing as I do the North-west
21 Line Elevator Association, I think that our position
22 on the matters you have raised would be exactly as
23 they are stated here. There are one or two general
24 questions which I would like to direct to you, if
25 I may, just for the record.

26 The first arises on page 2, paragraph 6,
27 where you make the statement:

28 "Nevertheless the attack on grain rates
29 continued and the present proposals made
30 by the railways to this Commission can have



1 "only one ultimate objective and inevitable
2 result -- the complete removal of the only
3 remaining vestige of the Crow's Nest Pass
4 Agreement and the last and only protection
5 enjoyed by the prairie grain grower."

6 Am I correct in assuming from that that it
7 is the view of your government that the covenant
8 contained in what is known as the Crow's Nest Pass
9 Agreement of 1897 requiring that C.P.R. maintain a
10 certain level of rates on the moving of export grain
11 is still valid and in effect?

12 A. That would be our contention.

13 Q. And it is your contention, sir, that the
14 -- although the railways believe otherwise -- that the
15 rates which the railways are getting on the movement
16 of export grain -- that those rates are compensatory?

17 A. I think we would take the position that
18 in view of the overall national policy they are
19 compensatory. I don't know whether we have
20 sufficient data before us at the moment to say that
21 in monetary terms they are immediately compensatory,
22 but in terms of the overall national policy and the
23 compensations which the railways were given in the
24 overall picture, it would be compensatory.

25 MR. DICKSON: Thank you, Mr. Premier.

26 THE CHAIRMAN: Mr. Alley?

27 MR. ALLEY: Thank you, Mr. Chairman.

28 THE CHAIRMAN: I cannot refrain from
29 remarking that both Mr. Dickson, who has just sat
30 down, and Mr. Alley, of Vancouver, who now stands up,



1 were both partly educated in the City of Regina.

2 MR. DICKSON: May I say we take great pride
3 in that, sir.

4 PREMIER DOUGLAS: That "partly educated",
5 I trust, is only a temporary situation.

6 MR. ALLEY: I will be very careful not
7 to comment on that.

8 CROSS-EXAMINATION BY MR. ALLEY:

9 Q. Mr. Douglas, I was looking at your
10 paragraph 11, and do we take it from the context
11 of that paragraph on page 4 that in principal you
12 approve the use of subsidies to meet the problems
13 of high cost of transportation?

14 A. No, I don't think that implication
15 should be taken from paragraph 11; it merely pointed
16 out that the distribution as set out by Mr. Knowles
17 with regard to the subsidy indicates the distribution
18 point on which any increase in freight rates would
19 have been based.

20 In the statement which Saskatchewan previously
21 made to the Turgeon Commission, I think we advanced
22 a totally different thesis, rather than dealing with
23 subsidies as a solution.

24 Q. Do you now approve that the proposal
25 of the subsidy might be considered as a solution?

26 A. I would approve that it might be
27 considered as a solution if there was no better
28 solution. We think a better solution should be
29 found.
30



1
2 CROSS-EXAMINATION BY MR MAURO:

3 Q. Mr. Premier, the provinces of Manitoba
4 and Saskatchewan have in the past stood pretty
5 closely together in this matter of freight rates
6 and because I think both of our provinces feel the
7 impact in much the same manner, and I see from the
8 nature of your preliminary statement, Mr. Premier,
9 that the situation hasn't changed to any marked degree.

10 I take it, Mr. Premier, that the province
11 of Saskatchewan would like to see as one of the
12 conclusions reached by this Commission, that some
13 shifting of this burden between long and short haul
14 shippers results from a change in the method of the
15 rate structure in Canada?

16 A. That would be our hope.

17 Q. And it would be the hope of the
18 province of Saskatchewan that we could start to change
19 some of these figures, the 56 per cent in the west
20 and the 26 per cent in Central Canada and try and get
21 a more equitable distribution of this freight rate
22 burden.

23 Now, Mr. Premier, if the commission came
24 to this conclusion, just for the sake of argument,
25 that the railways were in need of additional revenues,
26 either because the statutory rates on grain or for
27 some other reason, will it be the position of the
28 province of Saskatchewan that this subsidy be paid
29 to the railways or to the shippers?

30 A. If one accepted the thesis that a



1 subsidy were necessary, I think our view would be
2 that the subsidy should be paid to the railways.

3 However, if again I may refer to our
4 statements before the Turgeon Commission we took
5 the position then that the solution doesn't lie
6 merely in tinkering with the freight rate structure
7 or in subsidies, which is always an easy way out.
8 We took the position then, and I think that until
9 our statement is made this time that I cannot commit
10 the province in advance, but we took the position
11 then that what we ought to have in Canada is a
12 national transportation authority and we indicated
13 our willingness as a province to surrender some of
14 our sovereignty in the matter of truck transportation
15 to such a national body. In order that alternative
16 forms of transportation, which have been quietly
17 competitive, became complementary in order that trucking
18 might become feeders to railroads rather than as,
19 in many instances, competing over the same lines and
20 in many cases making it uneconomical for both of them
21 to operate. We feel that this is the problem
22 which must be tackled first before we can ascertain
23 whether or not in addition to that some sort of
24 subsidization is necessary.

25 Q. In short, that national transportation
26 policy and national economic policy should be so
27 co-ordinated as to have a beneficial effect on
28 all Canadians regardless of area?

29 A. Yes. We took the position before
30 the Turgeon Commission that Canada couldn't afford



1 in a sparcely settled population, to have many
2 competing forms of transportation; that we must try
3 to have the cheapest transportation system we can
4 have within our means, and this would mean removing
5 much of the competition between alternative forms
6 of transportation and complimenting their efforts
7 so as to be less waitful.

8 Q. Thank you very much.

9
10 CROSS-EXAMINATION BY MR. HUME:

11 Q. Mr. Premier, just one question.

12 In the comment that you make on page 4 in paragraph 11
13 in which you point out that the impact of horizontal
14 increases which, as will be indicated are 56.7 per
15 cent in the western part of Canada as compared to
16 26.5 per cent in the central part of Canada.

17 Mr. Premier, would you agree with me that
18 one of the reasons for that disparity is the fact
19 that in central Canada they do have a greater number of
20 competitive rates and agreed charges than you enjoy
21 in the west?

22 A. That is right.

23 Q. And that is because, Mr. Premier, I
24 suggest in part, of the competitive transportation
25 and highway transportation.

26 Now, my question to you is this, sir; would
27 you expect that the benefits that might accrue to
28 Saskatchewan in order to bring the figures more into
29 balance, would probably be brought about more by
30 highway transportation than by any other means, in view



1 of your geographical location than by any other means,
2 in view of your geographical location in Canada?

3 A. If the competitive factor were the
4 only factor that would bring about this adjustment,
5 I would agree. However, I would take the position
6 which was previously stated that I am quite sure
7 that a mere inducing of competition, would this have
8 this beneficial effect? I think there has to be
9 some complete reorganization of the whole matter
10 of transportation.

11 Q. Yes sir. You will agree, however,
12 I hope, that the competitive factor has, up to the
13 present at least, changed the relationship of these
14 figures over the last ten years?

15 A. Quite right.

16 Q. And that the west is now enjoying
17 more competitive rates and more agreed charges than
18 they did, say, 15 years ago?

19 A. Quite correct.

20 Q. My question then leads to this; would
21 it be the opinion of your government that there should
22 remain in Canada a strong highway transportation
23 industry in order to compete with the railways for
24 the available freight in Canada?

25 A. I would say there ought to be a strong
26 trucking transportation system in Canada, but I wouldn't
27 say that its primary purpose ought to be to compete
28 with the railroads. I would say that its main
29 purpose ought to be to complement the work of the
30 railroads so that between the two of them we can get



1 our goods to market or bring in our consumer goods
2 at the lowest possible rates.

3 Q. As you have indicated in an answer
4 to one of my learned friends that there are certain
5 constitutional problems, but certain concessions
6 are being made to bring that about?

7 A. Yes.

8
9 CROSS-EXAMINATION BY MR. McDONALD:

10 Q. Mr. Premier, I represent the Canadian
11 National Railways, and would you agree with me as
12 a general principal that all segments of traffic
13 should pay rates which would meet the railways
14 variable costs?

15 A. I am not sure I am clear on that
16 question.

17 Q. Will you agree with me as a general
18 principal that all segments of traffic should pay
19 rates which would meet the railways' variable costs
20 on carrying that traffic?

21 A. Do I gather that statement to mean,
22 if I may ask, Mr. Chairman, that all forms of trans-
23 portation ought to charge rates...

24 THE CHAIRMAN: You might explain to the
25 Premier what you mean by "variable costs"; that is
26 more or less a technical term.

27 BY MR. McDONALD:

28 Q. Variable costs are those costs directly
29 related to the carrying of the traffic in question.
30 That is, that the railways should not carry any traffic



1 at rates which would not meet those variable costs,
2 and that are very nominal?

3 A. I thought the question was dealing
4 with other forms of transportation, but it is only
5 in connection with the railways?

6 Q. Yes.

7 A. I think, of course, you would have to,
8 in determining what their costs are, have to take
9 into consideration as I have stated previously the
10 national policy. I think you would also have
11 to take into consideration commitments which the
12 railways have already made and for which they have
13 already received, in some form or other, compensation
14 for assuming and accepting those rates.

15 Q. Well, leaving that to one side because
16 the Canadian National is in a little different
17 position, they are not a party to the Crow's Nest
18 Agreement, and so on; would it not be a solid
19 policy that they should not carry any traffic which
20 doesn't meet the cost directly attributable to the
21 traffic?

22 A. Unless there is some other form of
23 transportation that could carry it more cheaply, but
24 if the railway is going to carry it, if they are
25 willing to carry it, they should carry it at a
26 rate that should meet the cost directly attributable
27 to that.

28 MR. DOHERTY: I wonder if this isn't
29 something that should be dealt with in Ottawa when
30 Saskatchewan presents its further case?



1 Mr. Douglas is most helpful and most pleased to be
2 of whatever help he can to the Commission here.

3 THE CHAIRMAN: I think, Mr. McDonald, that
4 had better wait. The Prime Minister hasn't
5 come here to give expert evidence, but more particularly
6 to welcome the Commission.

7 MR. McDONALD: Q. I just wanted
8 to know if the Premier had any ideas on policy, if
9 any. However, we will leave that.

10 A. I would say, just to be specific on
11 it, Mr. Chairman, that while in general terms one
12 would agree that the railways ought not be asked
13 to assume a rate which is less than cost; there may
14 be in instances where national policy is involved,
15 particularly in the matter of getting our major
16 export, grain, to the markets of the world, that there
17 would have to be rates set which might be less than
18 cost. I think they would get that in some cases --
19 in some cases they may even give some additional
20 inducements to make it possible for them to do this,
21 and this we will argue in the brief, but if that
22 were not possible and it was a matter of national
23 policy that they handle it at less than it costs, then
24 it would be the responsibility of national taxation
25 in some form.

26 Q. Thank you very much.

27
28 CROSS-EXAMINATION BY MR. SINCLAIR:

29 Q. Mr. Douglas, I represent the Canadian
30 Pacific, and I take it that it is the intention of the



1 province in Ottawa to present witnesses to deal with
2 the matters that the province is suggesting to the
3 Commission and to explain any principles that are
4 set out in this opening statement of yours?

5 A. That is right.

6 Q. And that you didn't come here today pre-
7 pared to discuss the principles that are annunciated
8 in this opening statement?

9 A. That is right.

10 Q. Thank you.

11 COMMISSIONER GOBEIL: I have no questions,
12 but I will simply say to you, as well as to Mr.
13 Dickson and Mr. Alley, that I have been educated
14 partly in central Canada and after listening to you
15 from Saskatchewan as a leader of the west, I think
16 I will be totally educated in the west!

17 THE CHAIRMAN: Well, thank you very much,
18 Mr. Premier.

19 We will now take the next number on the
20 programme.
21
22 -
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1 MR. DOHERTY: May I now ask the Honourable
2 L. F. McIntosh, Minister of the Municipal Affairs,
3 to make a statement to the commission.

4
5 SUBMISSION OF THE MINISTER OF
6 MUNICIPAL AFFAIRS FOR THE
7 PROVINCE OF SASKATCHEWAN, REGINA.

8 Appearance:

9 Honourable L. F. McIntosh - Minister of Municipal
10 Affairs, Province of
11 Saskatchewan, Regina.

12 MR. MCINTOSH: Mr. Chairman and Members
13 of the Commission, our Premier, the Honourable Mr.
14 Douglas, has extended to you, Mr. Chairman, and to your
15 colleagues, the province's welcome to Saskatchewan.
16 May I express also my personal pleasure at your
17 presence among us. I trust that the representations
18 which will be made to you during your hearings
19 in this province will be helpful in your deliberations.

20 My colleagues, the Minister of Mineral Resources,
21 the Minister of Agriculture and the Minister of
22 Natural Resources will make short statements to you
23 at this time and a number of briefs from various organ-
24 izations will be presented.

25 It is the intention of the Government, with
26 the concurrence of the Commission, to present its
27 detailed and comprehensive submission at a later
28 date in Ottawa.

29 The members of the Commission are no doubt
30 aware of the continuous interest and participation of
the Saskatchewan Government in the long succession of



1 hearings before the Board of Transport Commissioners
2 and other tribunals dealing with transportation during
3 the post-war period. With the background of the
4 past decade or more of attempts to deal with specific
5 issues and to reach solutions to some of the more gene-
6 eral and stubborn difficulties this Commission
7 will have before it a comprehensive picture of the many
8 and mounting problems which the various regions of
9 Canada and the carriers themselves face.

10 It is always more difficult to find solutions
11 than it is to state problems. This seems particularly
12 true in respect of transportation in Canada and probably
13 arises from the extremely important role which railway
14 transportation played in making Canada a nation
15 stretching from the Atlantic to the Pacific.
16 Geographical and topographical obstacles were overcome
17 and physical unification, the first essential in the
18 national objective, was accomplished. It is not
19 my intention to develop this theme at this time. It
20 will be fully presented in the Province's brief at a
21 later date. I wish merely to emphasize that
22 the unifying role of railway transportation, so
23 dramatically evident at the birth of the nation, pre-
24 faced this ever continuing function which railways
25 were designed to fulfill throughout Canadian history -
26 - past, present and future. It is the view of the
27 Government of Saskatchewan, therefore, that solutions
28 to problems in transportation should be truly national
29 in character, recognizing the fundamental truth that
30 no part in this vast country lives unto itself alone.



1 Each makes its contribution to the economy of other
2 regions and to the welfare of Canada as a whole.
3 The preservation of that unity which it did so much to
4 create must be the ever present objective of
5 transportation policy in Canada.

6 This Commission has before it a task of the
7 greatest importance to all the people of Canada and to
8 the transportation industry which serves them. Its
9 findings and recommendations will have a profound
10 effect on the economic future of the nation and its
11 various regions. The Government of Saskatchewan
12 wishes to express its confidence in the Commission
13 and commends its obvious desire to conduct this inquiry
14 in a spirit of co-operation and with the welfare of
15 Canada as a whole in view. A thorough review of the
16 complexities which lie before you will be time
17 consuming and the Government of Saskatchewan expresses
18 the hope that your inquiry will not be curtailed in the
19 interest of producing an early report or in any way
20 restricted for the purpose of meeting a target date.
21 Much is expected of this Commission by the people
22 of Canada and it is to be hoped that your efforts
23 will meet with that success which I know your interest
24 and energy merit.

25 May I in closing again assure you of the
26 pleasure which your presence here gives us. We
27 welcome you and hope your stay may be valuable.

28 THE CHAIRMAN: Thank you, Mr. McIntosh,
29 and may I say that when you refer to target date, we
30 are keeping in mind the necessity of getting all the



1 information we can on the subject. We are required
2 to do that, but, at the same time we are supposed
3 to proceed in the terms of the Order-in-Council with
4 dispatch, so we are not losing too much time but
5 we are not losing sight of the fact that some effort
6 must be made to solve these problems that are engrossing
7 the attention of all Canada at the present time.

8
9 CROSS-EXAMINATION BY MR. COOPER:

10 Q. Mr. McIntosh, there is just one question
11 or comment I should like to make with respect to your
12 statement. As I understand what you have said, you
13 regard the most important objective of this
14 Commission in its consideration of transportation
15 problems to be the finding of solutions which will
16 be in the interests of Canada as a whole rather than
17 in the interests, perhaps, of any particular section
18 of the country?

19 A. That is right, sir.

20 MR. COOPER: Thank you.

21 CROSS-EXAMINATION BY MR. SINCLAIR:

22 Q. Mr. McIntosh, you also hold the portfolio
23 of Minister of Freight Rates, and have done for a
24 good many years?

25 A. Mr. Chairman, that has not appeared
26 in the charter.

27 THE CHAIRMAN: He does not appear that
28 way in public accounts.

29 MR. SINCLAIR: Not in public accounts, but
30 if you drop the word "accounts", then it is correct.



1 Q. You are generally recognized as the
2 Minister of Freight Rates in Saskatchewan?

3 A. Mr. Chairman, this is the first time
4 I have heard that approach. I am only recognized
5 as the Minister of Municipal Affairs.

6 Q. I was wondering, in view of that, whether
7 you or some other department of the Government of
8 Saskatchewan could give to the Commission, for three
9 years, or five years, as you wish, the amounts expended
10 on roads, federal, provincial and municipal, both
11 capital and maintenance?

12 THE CHAIRMAN: Well, that could be com-
13 piled?

14 THE WITNESS: Yes, Mr. Chairman, that
15 could be compiled. That would be the wish of the
16 Commission?

17 THE CHAIRMAN: Well, if Mr. Sinclair
18 wishes it, I think we would direct that that be
19 available to us.

20 THE WITNESS: Very good.

21 MR. SINCLAIR: Q. Thank you very
22 much, Mr. McIntosh. The solution that would be
23 truly national in character would be one that would
24 give full recognition to the interests of all parties
25 in Canada?

26 A. Or regions in Canada, yes.

27 Q. It would also give full effect and
28 take into account and give full recognition to all
29 persons and parties interested in transportation?

30 A. I don't think that I am in a position



1 to give an intelligent answer to that question, Mr.
2 Chairman, that would be of any value to the Commission.

3 THE CHAIRMAN: You will have your experts
4 in Ottawa?

5 THE WITNESS: And they will deal with that
6 subject, yes.

7 MR. DOHERTY: I am sure Mr. Sinclair
8 appreciates that we will be presenting a substantive
9 case in Ottawa, and we will have witnesses available
10 then to answer these questions.

11 MR. HUME: Mr. Chairman, I wonder if I
12 may interrupt by saying that while I may suspect the
13 motive that my learned friend Mr. Sinclair has in
14 inquiring about figures on highway costs, may I also
15 ask Mr. McIntosh whether at the same time he could
16 supply the contribution to the highway maintenance
17 and costs by the various users in this province,
18 provided those figures are available in his own
19 records. I do not wish to put the Minister to any
20 research, but if they are available it may be of
21 assistance.

22 THE WITNESS: We would wish to include that,
23 Mr. Chairman, along with the money spent.

24 MR. SINCLAIR: I will remove any mystery
25 from it

26 THE CHAIRMAN: Well, of course, any
27 question you ask, Mr. Sinclair, is subject to
28 suspicion. However, the question you ask in this
29 regard has to do with the same information you wished
30 in Manitoba?



1 MR. SINCLAIR: That is right, and so
2 that my friends will not wonder what I am up to, if
3 that is the proper way to put it, what I would do
4 with them is, I would then divide the figures I got
5 by the population, and not having in mind what Mr.
6 Hume, who has a very suspicious mind, obviously, thinks
7 I had in mind. I am only going to divide into
8 the figures I get the population in those years.

9 THE CHAIRMAN: Well, knowing you, Mr.
10 Sinclair, when you get figures you can^{do}/lots of things
11 with them.

12 MR. DOHERTY: I think we can arrange to
13 supply what we could, and if there is some difficulty,
14 could we then speak to the matter again?

15 THE CHAIRMAN: Oh, yes. I don't think
16 there will be any trouble.

17 MR. MAURO: In that connection, Mr.
18 Chairman, I was wondering if it would be possible
19 -- and perhaps Mr. McIntosh could advise us -- to
20 get information as to the amount of land owned by
21 the Canadian Pacific Railway in Saskatchewan on
22 which there is no taxation. I would like to divide
23 it by figures too. I am serious about that,
24 Mr. Chairman.

25 THE CHAIRMAN: Well, may I suggest that
26 Mr. Mauro, Mr. Doherty and Mr. Sinclair get together
27 and agree on what they want. I am sure the
28 province of Saskatchewan will be most anxious to
29 assist them as they are to assist this Commission;
30 is that correct?



1 THE WITNESS: Quite correct, Mr. Chairman.

2 THE CHAIRMAN: Thank you, Mr. McIntosh.

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MR. DOHERTY: Mr. Chairman and

13 Commissioners, I would now ask the Honourable J. H.

14 Brockelbank, the Minister of Mineral Resources, to make

15 a statement to the Commission.

16

17 SUBMISSION OF MINERAL RESOURCES
FOR THE PROVINCE OF SASKATCHEWAN

18

19 Appearance: Honourable J. H. Brockelbank

20 - Minister of Mineral Resources.

21 MR. BROCKELBANK: Mr. Chairman and

22 Members of the Commission: In early years of the

23 history of the Province of Saskatchewan the

24 development of mineral resources was given little

25 or no thought and transportation facilities were primar-

26 ily directed toward the movement of prairie

27 agricultural products to Eastern Canadian centres and to

28 Canadian ports. This factor governed the

29 establishment of routes and the freight rate structure.

30 In recent years the production of many and varied



1 minerals has increased to the point where Saskatchewan
2 is placed fourth in mineral production among the
3 provinces in Canada.

4 The exploration for and development of
5 many of these minerals which lie in the Precambrian
6 shield area of the northern part of the Province
7 has been carried on despite the natural difficulties
8 resulting from geographical location. These deposits
9 were not tapped by the original trans-continental rail-
10 ways and are frequently accessible only by air or by
11 winter tractor-train. Initial development costs
12 are high and are likely to remain so and it is felt
13 that incentive for further development must come
14 from maintenance of favourable freight rates on ore,
15 and smelter and refinery products which must continue
16 to be supplied to overseas and eastern markets.
17 These products are favourable to railway transportation
18 in that train-load quantities are involved and destin-
19 ations are normally constant for given train-units.
20 Production from an operating mine is of a regular
21 nature and enables the railway to economically plan
22 traffic patterns.

23 It is also of some concern to the Province
24 that development may be retarded by the high cost of
25 bringing in basic extractive machinery required. An
26 examination of freight rates on this equipment which
27 is normally a non-recurrent expense should be given
28 consideration.

29 An indication of the increase in traffic which
30 has been brought to the railways by the expanded mineral



1 production can be obtained by a study of the
2 production figures for the ten year interval 1948-49
3 to 1958-59.

4 Base Metals: Production of base metals
5 at the Flin Flon mine and associated mines of the
6 Hudson Bay Mining and Smetling Company has shown
7 significant increases. In the years quoted this
8 production has come principally from Saskatchewan.
9 These products are shipped entirely by rail and thus
10 these increases are reflected in increased railway
11 revenues.

	<u>1948-49</u>	<u>1958-59</u>
13 Copper (lbs)	61,333,557	77,278,440
14 Zinc (lbs)	64,718,644	94,790,756
15 Cadmium (lbs)	96,499	277,665

16 Future production is likely to be maintained
17 at a high level and in addition other base metal
18 prospects are currently being explored and developed
19 in Saskatchewan.

20 Potash: One of the most significant mineral
21 developments in Saskatchewan has been the discovery
22 of potash in the central part of the Province. Pro-
23 duction commenced at one mine in 1958 and other
24 projects are under construction. Most of the muriate of
25 potash produced from the ore is required for the
26 export market, and represents a major contribution
27 to rail traffic.

28 Production figures for 1948-49 were nil,
29 and those for 1958-59 represented only initial
30 production of some 10,000 tons. When certain



difficulties are overcome, the estimated monthly production rate from one mine is 12,000 tons. It has been predicted that three or more potash mines will come into production in the next few years.

Coal: Coal production in the Estevan area has increased at a considerable rate and the export market to Manitoba and Ontario has shown a corresponding increase. Total production figures are:

	<u>1948-49</u>	<u>1958-59</u>
(Short tons)	1,577,947	2,270,277

Production for the current year will be down due to loss of markets to competitive fuels.

Sodium Sulphate: Sodium Sulphate in Saskatchewan which is a pure product considered highly desirable in the Kraft paper industry, has shown an increase in production during the period under review.

	<u>1948-49</u>	<u>1958-59</u>
Tons	156,765	175,789

Iron: At the present time two companies are investigating the feasibility of developing and producing a very large deposit of iron ore in the central part of the Province. One of the important factors affecting their decisions will be the cost of getting the products to markets in the western half of the Continent and probably to the west coast for export.

Summary and Conclusions: The increased production figures and the potential future production



1 quoted above are indicative of the increased volume
2 of traffic which may be expected in the future.
3 Nevertheless these commodities must at all times
4 be able to compete with similar substances produced
5 in Eastern Canada and in the United States. Recent
6 developments in production and refining methods
7 have rendered these Saskatchewan products competitive
8 with all comers in terms of quality and production
9 costs and it would be unfortunate if these factors were
10 nullified by freight costs.

11 Because of initial natural difficulties due
12 to geographical location it is suggested that
13 consideration be given to the incentive of favourable
14 freight rates on basic extractive machinery required
15 in mining operations. It is believed that any
16 concessions made in this field would be repaid by
17 the increased revenues attendant upon increased
18 production requiring transportation to export markets.

19 THE CHAIRMAN: Thank you, Mr. Brockelbank.
20 There is just one point on Potash: Are the difficulties
21 being solved there?

22 THE WITNESS: Yes, they are making progress
23 in solving the difficulty in the shaft at Saskatoon.

24 THE CHAIRMAN: With water?

25 THE WITNESS: Yes, the water difficulty.
26 I don't think there is any question that the members
27 of the industry generally are quite confident this
28 difficult engineering problem will be overcome.
29
30



CROSS-EXAMINATION BY MR. COOPER:

Q. Mr. Brockelbank, on page 1 of your statement you say in paragraph 2, the third sentence, "Initial development costs are high and are likely to remain so and it is felt that incentive for further development must come from maintenance of favourable freight rates on ore and smelter and refinery products which must continue to be supplied to overseas and eastern markets." Do I understand from your reference to "maintenance of favourable freight rates on ore" that those freight rates are at the moment favourable and you wish them to be maintained so?

A. I certainly could not give any expert opinion on whether or not all those rates are at the present time favourable.

Q. Have you received complaints in your department to the effect that the freight rates are an undue burden?

A. No.

Q. With respect to ore?

A. No, I have not received direct complaints from any shippers to that effect.

Q. I understand that perhaps one of the difficulties with respect to Potash is that at the present time the world production exceeds world demand, but perhaps that situation does not apply to Saskatchewan in its development, currently, of Potash. I noticed this morning in the Regina Leader



1 Post an article, "Potash Expansion is Said Assured",
2 and I notice it is assured of immediate expansion --
3 "However, world production of Potash currently
4 exceeds world demand"?

5 A. Yes, I think that is correct at the
6 moment.

7 Q. That is a factor, I suppose, which
8 has direct relationship to the development of Potash
9 in the province?

10 A. No, very little effect.

11 Q. Very little effect?

12 A. Very little, if any.

13 Q. Why do you say it will have very little
14 effect -- because of the superior quality of the
15 Potash here?

16 A. Yes, because of the very extensive
17 deposits and the richness of the ore.

18 Q. I notice that on page 3 of your
19 statement you mention that production of coal for
20 the current year will be down due to loss of markets
21 to competitive fuels. I take it that is a trend
22 which will continue?

23 A. I don't know how much it will continue,
24 or whether it will continue, and I think in regard
25 to this particular coal it is pretty difficult to
26 say.

27 Q. Can you give any estimate as to the
28 loss of production for the current year due to
29 competitive fuels?
30



1 MR. DOHERTY: I was going to say, Mr.
2 Chairman, that the coal people will be presenting a
3 brief later, and perhaps that would be the point at
4 which to do this.

5 MR. COOPER: Most certainly, if further
6 information can be obtained in that way.

7 THE WITNESS: Yes, that would probably be
8 just as well.

9 THE CHAIRMAN: It would be more accurate?

10 THE WITNESS: Yes.

11 THE CHAIRMAN: Your figure would be
12 general?

13 THE WITNESS: We have an estimate for the
14 1959 calendar year. Of course, we haven't finished
15 the present fiscal year yet.

16 MR. COOPER: You have that estimate now?

17 A. I haven't got that figure with me.

18 Q. Perhaps we can get it from the coal
19 people?

20 A. Yes.

21 Q. You mention on page 4, paragraph 13,
22 "Because of initial natural difficulties due to
23 geographical location it is suggested that consider-
24 ation be given to the incentive of favourable freight
25 rates on basic extractive machinery required in
26 mining operations." Where does that basic
27 extractive machinery come from at the present?

28 A. Mostly eastern Canada or the United
29 States or overseas -- Great Britain or Germany.
30 These are the places where this kind of machinery is



1 manufactured.

2 Q. It comes from a variety of countries?

3 A. That is right.

4 THE CHAIRMAN: It would all be long haul?

5 THE WITNESS: It would all be long haul.

6 MR. COOPER: Thank you, Mr. Brockelbank.

7
8 CROSS-EXAMINATION BY MR. DICKSON:

9 Q. Just one question, Mr. Brockelbank:
10 As Minister of Natural Resources, the petroleum and
11 natural gas industry comes under your jurisdiction,
12 doesn't it?

13 A. Yes. Mr. Chairman, might I just,
14 to prevent confusion, say that the Minister of Natural
15 Resources will be presenting a statement in a short
16 while, and here it happens that I am the Minister
17 of Mineral Resources. I don't want to answer
18 for any of his sins, and I am sure he won't want
19 to answer for any of mine.

20 Q. As Minister of Mineral Resources,
21 I was curious as to the reason for the omission
22 of any reference to the movement of petroleum products
23 which, I presume, move in some quantity by rail?

24 A. Very minor quantities of oil produced
25 in Saskatchewan move by rail.

26 Q. Main movement is by pipeline?

27 A. Practically all pipeline.

28
29 CROSS-EXAMINATION BY MR. McDONALD:

30 Q. At page 2, paragraph 5, you gave some
figures of the production of copper and zinc. Have



1 you any figures to show what per cent these are of
2 the total Canadian production, just to give me some
3 measure of size?

4 A. No, I'm sorry, I can't at this time
5 give you a figure as to the percentage. I know
6 that the total of all mineral production in Saskat-
7 chewan has been somewhere around 10 per cent of
8 the total production in Canada, or approaching 10
9 per cent.

10 Q. Then, on page 4, paragraph 13, you
11 say:

12 "Because of initial natural difficulties
13 due to geographical location it is
14 suggested that consideration be given to the
15 incentive of favourable freight rates on
16 basic extractive machinery required in
17 mining operations".

18 Have any representations been made to the
19 railways in that respect to see if something could
20 be worked out?

21 A. I'm not aware of any particular
22 representations that have been made.

23 Q. Well, I think if there is any definite
24 prospects in view of getting any, Mr. Brockelbank,
25 I think it would be valuable to discuss the matter
26 with the railways.

27 A. Yes.
28
29
30



CROSS-EXAMINATION BY MR. SINCLAIR:

Q. One point, Mr. Chairman. Mr.

Brockelbank made reference to the Potash development in Saskatchewan, particularly near Saskatoon. The operation of that mine was served by special trackage built by the Canadian Pacific; you know that?

A. Yes.

Q. The Potash industry have not complained, have they, to you concerning their transportation charges?

A. When they were considering going ahead with the project here, we know then that one of the very important factors was the question of freight rates on transportation of the product.

Q. Yes. And they were discussed between the industry and the railway?

A. I imagine they were. I know they were.

Q. And the mine, then, went ahead and was developed?

A. Yes.

Q. And it has been a very expensive mine to open up; hasn't it?

A. Quite right.

Q. Some \$20 million into the shaft alone; is that about right?

A. Oh, I couldn't quote the cost of the shaft. I don't think the shaft alone is that high,



1 even yet.

2 MR. SINCLAIR: Thank you, Mr. Brockelbank.

3
4 BY COMMISSIONER ANSCOMBE:

5 Q. I take it that in the figures you have
6 submitted it is recognized that there has been a very
7 healthy growth in your province in the last decade.
8 Would you say that the present freight rate structure
9 has had a detrimental effect on that at all under those
10 circumstances? I am not talking grain; you are
11 not discussing grain.

12 A. No. I would say that this development
13 took place over the last ten years not because of
14 low cost transportation but in spite of the geographical
15 disadvantages of location. Take, for example, the
16 potash -- if those potash deposits were located in
17 South Dakota, for example, they would be much closer
18 to a big market for the product, and that would make
19 a great deal of difference.

20 THE CHAIRMAN: The fact is, in potash,
21 Mr. Brockelbank, in the United States, it is only
22 New Mexico, and in Canada, only in Saskatchewan.

23 COMMISSIONER ANSCOMBE: Q. And that is a
24 world condition anywhere on anything, isn't it, that
25 the Lord has placed in certain very difficult places.
26 But the potash, if it hadn't been for the railway, would
27 still be down that shaft; wouldn't it?

28 A. Yes, it had to be transported to market.

29 THE CHAIRMAN: Thank you, Mr. Brockelbank,
30 and I think this would be a convenient place to break now.



1 ---A Short Recess..

2 THE CHAIRMAN: Well, we will come to order
3 please, gentlemen.

4 All right, Mr. Doherty.

5 MR. DOHERTY: Mr. Chairman and Commissioners,
6 may I now ask the Honourable I. C. Nollet, Minister
7 of Agriculture, to present a statement to the Commission.

8 Mr. Nollet?

9
10 SUBMISSION OF THE MINISTER OF
11 AGRICULTURE FOR THE PROVINCE
12 OF SASKATCHEWAN

13 Appearance: Honourable I.C. Nollet
14 - Minister of Agriculture.

15 MR. NOLLET: Mr. Chairman and Gentlemen:
16 The cost price squeeze to which farmers are being
17 subjected in increasing severity is well enough known
18 that I need not document it in detail but would refer
19 you to the excellent and factual material presented
20 to the Federal Government in the March on Ottawa of
21 March, 1959.

22 Mr. Chairman, I have these documents that
23 were put out by the Western Farm Delegation for the
24 Commission, if the Commission wants us to file any
25 one of those copies.

26 I would mention, however, that in a Farm
27 Management study project carried on by our staff as an
28 Extension Service in 1958, 290 farmers co-operated with
29 us in keeping a complete set of accounts. On the
30 whole this sample represented the more progressive,
larger farmers -- the province who were more keenly aware



1 of management problems in their business. For example,
2 the group, as a whole, had an average inventory of \$55,000,
3 with an average farm size of almost $1\frac{1}{2}$ sections (960 acres)
4 whereas the 1956 Census showed the provincial average
5 farm size to be 607 acres. The average cultivated
6 acreage of farms in the group was 736 acres compared to
7 a provincial average shown in the 1956 Census of 392
8 acres.

9 The analysis of these accounts showed that, even
10 of this better than average group of farms, only 15 per
11 cent realized a cash operating income in excess of
12 total costs. The net average return to the operator
13 for his work and for his investment was \$3,690. In
14 other words, if the operator were assigned any
15 reasonable wage the return to capital was practically
16 nil. Conversely, the total net average return
17 produced a reasonable return to capital if nothing
18 is allowed for labour and management. It is appreciated
19 that this cost price squeeze is not confined to the
20 farming industry but that other segments of our
21 economy are also suffering from it, but by its
22 intensity we feel that agriculture has been placed in a
23 particularly vulnerable position.

24 Indeed, Mr. Chairman, we in agriculture, who
25 so often have theories of supply and demand tossed in
26 our direction, seriously wonder if the whole concept of
27 rate increases which our railway companies advance to
28 meet increasing costs is not self defeating. The
29 trucking industry, through service, speed and lower rates,
30 competes vigorously with railway transportation and



1 secures traffic from them. To offset this, rates
2 are increased and more traffic lost. I confess to
3 being a layman in the complex area of transportation and
4 traffic rates, but it does seem to me that repetition
5 of this vicious circle cannot solve the problems experienc-
6 ed by the railways. With even livestock and meats some-
7 times moving to Eastern Canada by truck, we can see the
8 time approaching when our wheat and grain will be
9 expected to carry nearly all of the costs involved in
10 the railway systems of this part of the country.

11 Filling the prairie west with settlers
12 to engage in growing wheat was a task with which the
13 Canadian Government and the railways were vitally
14 concerned at the turn of the century.

15 I might mention this, that it was national
16 policy at that time.

17 The economic welfare of both was at stake.
18 Bringing to fruition the full potential of national
19 production was the motivating force of the Government;
20 bringing to fruition its full potential as a carrier
21 of goods throughout the nation was the motivating force
22 of the railways.

23 The prairies were settled under an agreement as
24 to transportation costs. As a result land was
25 broken, farms developed and homes built and,
26 through the production and export, largely of wheat, the
27 very development of our nation was made possible. A
28 national policy of protective tariffs and the abrogation
29 of that portion of the Crows Nest Agreement on traffic
30 inward to the prairies have further ensured that the



1 western farmer makes full contribution to the remainder
2 of the Canadian economy.

3 I would emphasize, however, that the
4 people of Saskatchewan are sympathetic to the problems
5 of the railways and recognize that our province
6 was settled and our economy developed through economical
7 transportation.

8 None the less, engaged as we are in production
9 for one of the most competitive markets in the world,
10 we must face the facts of life and state very clearly
11 that the Western Canadian wheat farmer cannot afford to
12 pay higher transportation costs on his product. For
13 this reason, I would emphasize the vital role of
14 wheat in our economy and the over-riding significance of
15 the Crow's Nest Rates in permitting the sale of our
16 wheat and other grains on overseas markets.

17 Transportation and transportation costs assume
18 a special and major significance to farmers in Saskatch-
19 ewan. About 70 per cent of a total average wheat harvest
20 of 285,000,000 bushels is exported and approximately
21 85,000,000 bushels of our feed grain production is
22 moved into forward market positions. The bulk of this
23 grain must travel by rail to the Head of the Lakes, a
24 distance of 950 miles. From there it may move by
25 rail or lake transport and seaboard ports, prior to
26 being loaded for export. The significance of the
27 cost of this movement and handling -- which includes
28 no processing or retailing cost is evident in that
29 the average price received by farmers in Saskatchewan
30 in 1958 was about \$1.30 per bushel, while on the same



1 bushel it cost about 50 cents to get it from the
2 country elevator in Saskatchewan to the port at Liverpool.

3 This long distance aspect and high cost of
4 transportation affects not only wheat but all commodities
5 produced. Over 80 per cent of cattle marketed,
6 60 per cent of hogs, 50 per cent of turkey meat is
7 shipped by rail to the major Canadian cities of Montreal
8 and Toronto involving a distance of about 2,000 miles.
9 Similarly on the bulk of the products he buys --
10 heavy machinery and consumer goods -- he is at a
11 considerable disadvantage due to distance from centres
12 of production.

13 Distance from market has meant that freight
14 rate increases have a larger total significance when
15 applied on agricultural produce moving to Eastern
16 Canada. In the case of hogs, rates from Saskatoon
17 to Toronto have increased from \$1.36^{per}/cwt. in 1958 to
18 about \$2.67 per cwt. in 1958, reduced to \$2.27 at the
19 present time. The spread in price between Saskatoon
20 and Toronto has widened accordingly from an average of
21 \$2.19 in 1948 to \$4.24 in 1958. In 1948 a farmer
22 received \$3.28 less for a market hog on the
23 Saskatoon market than on the Toronto market. In 1958
24 he received \$6.36 less. As prices decline this
25 disadvantage becomes more severe in effect. When
26 hogs are worth around \$25 per cwt in Toronto our
27 producers get around \$20.50 but if they drop to \$20
28 in Toronto it means a price of around \$15.50 in
29 Saskatchewan. In the matter of eggs, the minimum
30 charge for handling a 30 dozen crate is 75 cents which



1 seems a small amount but at present prices the producer
2 may pay 20 per cent of the value of a fairly good
3 shipment just to send them to his grading station.

4 It was noted earlier that the Saskatchewan
5 farmer also is handicapped by a cost structure that
6 includes the movement of his farm machinery, building
7 supplies and many consumer goods from distant points.
8 The original Crow's Nest Agreement under which the
9 major portion of the Prairies was settled provided
10 for special tariffs not only for grain moving out but
11 also for many supplies, including farm machinery,
12 moving into the area.

13 Freight costs on machinery have been increased
14 about 125 per cent. It may be argued that increases
15 in cost of freight on machinery are comparatively
16 modest compared to the increase in the price of the
17 machines themselves. However, I would note that
18 it does cost over \$100 to move a medium-sized tractor
19 from Brantford to Regina and about \$220 to move a
20 combine. This type of cost on a large number of
21 products represents a substantial burden on our
22 farmers, particularly under present adverse conditions.

23 While on this subject, I would respectfully
24 suggest to the Commission that certain anomalies in
25 our freight rate structure might be studied. I
26 understand that at present a through billing from
27 Brantford to Regina costs somewhat more in freight than
28 a shipment billed first to Winnipeg and then to Regina.
29 This is merely an example. I don't want to go into
30 any details of freight rates; I am a layman.



1 This sort of inequity or obvious inconsistency is
2 confusing and troublesome to shippers as well as operating
3 to the disadvantage of Saskatchewan cities as distributing
4 centres.

5 I should like to emphasize two points :

6 First, that agriculture is suffering from
7 severely depressed prices on nearly all its products
8 and being furthest from either Eastern or Western
9 markets, the farmer in Saskatchewan receives lower
10 prices than farmers in any other part of Canada. The
11 impact of long hauls to market that results in costs
12 like 50 cents to put a bushel of wheat in Liverpool, or
13 about \$5 per cwt. to put live hogs in Toronto means
14 that transportation and handling are taking a larger
15 and larger share of the farmer's dollar as these costs
16 are tending upwards and his prices tending downwards.

17 Secondly, that the Prairies have already
18 lost one part of the agreement under which they were
19 settled, namely fixed rates on inward movement of
20 important classes of goods such as farm machinery,
21 building supplies and other bulky and costly items.
22 Our economic circumstances are such that we simply
23 could not stand any upward revisions in grain rates.

24 We realize that we are caught in a serious
25 cost price squeeze on the farm front. What is of
26 grave concern to us as agriculturalists is that other
27 sectors of the economy seem to have the means at hand
28 to collect what they need to stay in business. Costs
29 of producing farm machinery go up -- the price of machines
30 is increased and the farmer pays. Costs of trans-



1 portation go up so rates are increased. The price
2 of eggs has dropped drastically but what happens?
3 Everyone who handles eggs, from the railway to the
4 packer to the retailer, still get as much as they
5 used to for their services -- but the farmer gets
6 50 per cent less than he was getting a year ago --
7 less than the costs of feeding the hens. The consumer
8 now gets 3 dozen eggs for a dollar but when a deficiency
9 payment is made, some people will say it is for the
10 benefit of the farmer.

11 I would respectfully suggest, Mr. Chairman,
12 that this Royal Commission in its consideration of
13 this extremely perplexing transportation problem
14 recognize that it is neither fair nor equitable to
15 expect everyone in our economy to go on assessing their
16 costs and charging it back to the farmer. We are
17 as an agricultural industry quite prepared to accept
18 fair pressures on our efficiency but the direction
19 we are going and the trend of thinking on this matter
20 will inevitably lead to disastrous effects on our
21 agricultural industry with consequences that will be
22 most unhappy for our nation.

23 THE CHAIRMAN: Thank you, Mr. Nollet.

24
25 CROSS-EXAMINATION BY MR. COOPER:

26 Q. Mr. Nollet, I am sure the Commission
27 would be interested in the farm management study
28 project to which you refer in paragraph 2 on the first
29 page of your submission. In connection with that
30 farm management study project, can you indicate over



1 what period of time records were kept -- referring to
2 1958 -- over what number of months or what period were
3 accounting records kept by the 290 farmers in question?

4 A. They were kept for a full year to take
5 in the full farm operations, and their studies are
6 continuous. They do this continuously now from
7 year to year.

8 Q. And this is the latest study of a
9 continuous series?

10 A. Yes. That would be the result, I
11 would say, of one complete annual study on farm
12 management experience.

13 Q. You give the net average return to the
14 operator for his work and for his investment as
15 \$3,690; what is the gross return figure?

16 A. Well, I just don't have it with me on
17 that, but I would be very happy to make these farm
18 management studies available to the Commission or to
19 any member of the Commission. Most of them are
20 interesting; particularly because they do represent
21 the larger farmers, the best farm operators, and the
22 results have been rather startling for ourselves.

23 THE CHAIRMAN: And the trend, of course,
24 is towards larger farms?

25 THE WITNESS: Yes. For example, these
26 people have an average investment here of \$55,000.
27 Now, the average for the province in capital investment
28 would be from \$20,000 to \$25,000.

29 MR. COOPER: Q. Are the farmers in
30 question engaged as I presume they are, not only in



1 producing grain but also in producing livestock and
2 other farm products?

3 A. Yes.

4 Q. That will all be revealed, I take it,
5 by the study?

6 A. Yes.

7 Q. And I am sure the Commission would be
8 very happy to have the study made available.

9 A. We would be very glad to make it
10 available.

11 Q. There is just one other question which
12 I have. You have said that you don't wish to get
13 into the question of freight rates in any detail at
14 all, but I might just ask you just one question. On
15 page 3, paragraph 10, and I quote, "In the case of hogs,
16 rates from Saskatoon to Toronto have increased from
17 \$1.36 per cwt in 1948 to about \$2.67 per cwt in 1958,
18 reduced to \$2.27 at the present time." Now, how
19 did that reduction come about; by the institution
20 of a competitive rate?

21 A. No, I wouldn't think so. I think that
22 is the rollback.

23 Q. That is the rollback, is it?

24 A. Yes, I think it is just the rollback.

25
26 CROSS-EXAMINATION BY MR. HUME:

27 Q. There is one question that you may be able
28 to answer for me. On page 2 you made reference to
29 trucking rates and I just wanted to get on the record
30 through you, if I could, and if you don't know you can



1 tell me, is it not so, sir, that in this province
2 trucking rates are regulated by a regulatory board?

3 A. That is right.

4 Q. And that a trucking company who seeks
5 to reduce a rate must get permission from the board
6 to reduce it?

7 A. Well, I am not certain on that point;
8 I would assume the board sets the rates.

9 Q. I am informed that that is the case,
10 that a rate once set cannot be either raised or lowered
11 without the permission of the board?

12 A. I imagine the board would drop dead
13 if some of them were lowered.

14 Q. May I put this, that the railways should
15 put in a competitive rate, say, between Regina and
16 Saskatoon.

17 A. That is my understanding.

18 Q. If the railways put in a competitive
19 rate, the trucking industry, if they wanted to compete
20 for the traffic, would have to make an application to
21 your board to lower the rate?

22 A. That is my understanding.

23 Q. That is one of the regulatory shackles
24 of the trucking industry?

25 A. Yes.

26 MR. DICKSON: I don't know whether it is
27 your intention, Mr. Chairman, to have filed as an
28 Exhibit this report that Mr. Nollet mentions in paragraph
29 1, "material presented to the Federal Government in
30 the March on Ottawa of March, 1959"? Perhaps it



1 would be desirable to have a look at it.

2 THE CHAIRMAN: I know that that study is
3 available in the department.

4 THE WITNESS: What I have made reference
5 to is the presentation made by the mass delegation.
6 It is contained in this "Souvenir, on to Ottawa" which
7 was put out by the western farm delegation. That is
8 what I had reference to, and that is all.

9 MR. COOPER: That is probably available;
10 my learned friend can probably get a copy of it.

11 THE WITNESS:: I have copies here if you
12 wish to have them.

13 MR. COOPER: I don't think we have to have
14 it marked as an Exhibit.

15 THE CHAIRMAN: We don't want too many.

16 MR. COOPER: No.

17
18 CROSS-EXAMINATION BY MR. DICKSON:

19 Q. I have one or two questions on this farm
20 study. Was depreciation taken into account?

21 A. Yes.

22 Q. And was all types of farm income included?

23 A. Yes.

24 Q. Including the non-grain?

25 A. Yes.

26 Q. You have mentioned a couple of others
27 and emphasized the fact that the prairies lost one
28 part of the agreement under which they were settled,
29 namely, fixed rates on inward movements on important
30 classes of goods such as farm machinery and building



1 supplies and other bulky and costly items. Now,
2 these other items you list. Is it the effect of
3 the rate on inward movements of, I suggest, grain,
4 fresh foods, coal oil, cordage, binder twine, agri-
5 cultural implements of all kinds, iron, including bar
6 iron and including other types of iron as well, wire,
7 window glass, paper for building and roofing purposes,
8 felt roofing, and you list livestock, wooden ware and
9 household furniture, is that true?

10 A. I think it is.

11 Q. Thank you.

12 A. Those were the things, but principally
13 farm machinery.

14
15 CROSS-EXAMINATION BY MR. ALLEY:

16 Q. I think you corrected this, but you
17 referred to the average inventory of \$55,000, and should
18 that really be average investment?

19 A. Yes.

20 Q. Would it be difficult to ask you to
21 file your budget for 1948 and your budget for 1959,
22 with your population in 1948 and your population in 1959?

23 A. On these farm income studies?

24 Q. No, I would like your provincial budget?

25 A. Very well.

26 Q. And with the provincial population just
27 for those two years?

28 A. Yes.

29 Q. Thank you.
30



1
2 CROSS-EXAMINATION BY MR. MAURO:

3 Q. Mr. Minister, you mention that the farmer
4 in Saskatchewan, particularly in the case of his grain
5 crop, cannot now pay anything more for the movement
6 of this commodity?

7 A. Right.

8 Q. And the province of Saskatchewan, as
9 the province of Manitoba, says, firstly, that there
10 is a binding agreement between the farmer of western
11 Canada and the Canadian Pacific Railway to move this
12 grain at a specified rate, and would the position
13 of the province of Saskatchewan be that if as result
14 of the findings of this Commission the revenues from
15 the movements of grain are not sufficient to meet
16 the costs of railway, then a subsidy should be paid
17 by way of compensation to the railway?

18 A. It certainly should not be held up as
19 a subsidy to the farmers.

20 Q. Exactly. As a matter of fact, I
21 think that you and I would agree that as far as the
22 farmer is concerned, he has the agreement, and if
23 the Canadian Pacific Railway cannot maintain its
24 obligation under that agreement, then any subsidy
25 is for the Canadian Pacific Railway and not for the
26 farmer?

27 A. Correct.

28 CROSS-EXAMINATION BY MR. McDONALD:

29 Q. I just have a couple of questions. In
30 paragraph 12 on page 4 you speak about the freight costs



1 on machinery being increased about 125 per cent. Now,
2 can you tell me how much the costs of this machinery
3 has increased?

4 A. Well, I will certainly concede, and I
5 said here that the actual cost or the prices on farm
6 machinery has gone up very greatly, but percentage-wise
7 I can't give you the exact figure, but we can think
8 in terms like this; about 1938 combine cost the farmer
9 around \$2700, and the same combine would cost him around
10 \$5,000 now. Of course, that includes freight, but
11 the general costs on farm machinery have gone up
12 tremendously. The comparison hasn't been --
13 certainly it has gone up; it is a significant cost.

14 Q. On page 6 at the last paragraph it says
15 there, "I would respectfully suggest, Mr. Chairman,
16 that this Royal Commission in its consideration of this
17 extremely perplexing transportation problem recognize
18 that it is neither fair nor equitable to expect everyone
19 in our economy to go on assessing their costs and
20 charging it back to the farmer. We are as an agri-
21 cultural industry quite prepared to accept fair
22 pressures on our efficiency but the direction we are going
23 and the trend of thinking on this matter will inevitably
24 lead to disastrous effects on our agricultural industry
25 with consequences that will be most unhappy for our
26 nation."

27 Just on that point as far as transportation
28 is concerned, would you agree with me that it is only
29 fair that the railway should charge not less than their
30 direct cost for moving the goods plus a reasonable
contribution to overhead.



1 A. Well, anyone will readily admit that
2 if any business is to function properly, that, certainly,
3 revenues have got to meet costs, and I am not going
4 to say at the moment what the complete answer is.
5 I think it was supplied in part by the Premier, and
6 what we are saying is we cannot go on the way we are,
7 assessing all these costs, or a good deal of them, on
8 our agricultural economy. We have been caught in
9 this sort of vicious squeeze. We thoroughly appreciate
10 the problem presented to the railways and the
11 trucking industry and everybody else, and we rather
12 feel this calls for a new type of national transportation
13 policy. It is beyond the solution of the railways,
14 themselves, and I think it is a matter of national
15 policy, integrating our entire transportation system,
16 as we should like to see it, in a manner that will not
17 discriminate against any part of Canada. I feel
18 that very keenly as a westerner. You can see the
19 differences developing because of the economic disparity,
20 and I feel keenly that if Canada is going to hang
21 together as a nation, no factor is going to contribute
22 more than a national transportation policy which will
23 treat the entire nation equally. Certainly, that
24 must be done without injury and without expectation,
25 by the people who use these services, that they should
26 not pay for them. If that can be done on a proper
27 basis, all right, but we are very much opposed to the
28 discriminatory rates, the multiplicity of rates;
29 every time I go to the freight rates division to get
30 information I just throw my hands in the air in holy



1 horror. I think it is preposterous. I don't
2 know if I am wrong, but I think I have had Mr. Oliver
3 mention 1500 different rates within our own province.

4 Q. But you have not got a solution as to
5 how to get rid of those?

6 A. Not today.

7 Q. We are looking for that.

8 THE CHAIRMAN: That is a great big nut-
9 you have presented to us to crack.

10 THE WITNESS: That is right.

11 MR. McDONALD: Q. You agree the price
12 of farm products has gone down throughout the country
13 -- it has gone down in Ontario as well as Saskatchewan,
14 and that on the American products coming in ---

15 A. That will affect it; it depends on how
16 much comes in. I didn't expect to make any
17 observations on it. It depends how much fat the
18 Canadians like, and I don't think they do like a good
19 deal. When the prices go down we are hit the hardest.

20 Q. Well, you are the furthest away from
21 the market?

22 A. Yes, that is right, for everything.

23
24 CROSS-EXAMINATION BY MR. SINCLAIR:

25 Q. Mr. Minister, this matter of freight
26 rates and railway revenues and costs are extremely
27 complex matters that require a great deal of time and
28 continuing study to deal with intelligently?

29 A. Yes, but to date I haven't in my opinion
30 at least, out of this whole mess, seen any intelligent



1 proposals come out of it yet.

2 Q. But you would also agree with this,
3 that without continuing study and special training
4 it is difficult to properly and effectively deal with
5 these problems?

6 A. Well, I think, sir, if we think in the
7 context of the present situation, it is. I don't
8 think there is a super brain super enough to try to
9 bring any order out of the existing chaos. I think
10 the applications have got some good common sense
11 principles for a transportation policy.

12 Q. You would certainly agree that ministers
13 of the Crown haven't got enough time to spend to
14 understand completely these freight rates matters?

15 A. True. We do think, though, that
16 in matters of policy we can feel the effect of what
17 occurs, and we certainly do realize the need for
18 a national policy on transportation, as I say, that
19 would take care of these problems.

20 Q. Mr. Minister, if the railways didn't
21 put in competitive rates and agreed charges to meet
22 competition, and just let the traffic go, then the
23 costs that the traffic that remained on the railway
24 had to carry would be great?

25 A. Within the existing context I would say
26 that is right, but we say that is one of the harmful
27 features, one of the unhappy facts that the railways
28 have to face and the rest of the country pay for.

29 Q. So you would not disagree with the
30 policy of the railways in meeting competition where it



1 exists to maintain traffic as long as them doing so
2 didn't put in rates that were less than their cost of
3 handling that segment of traffic?

4 A. I don't blame any person or any
5 organization being within an existing environment
6 doing his best to survive, but I think the rules of
7 survival can be changed.

8 Q. One further thing, Mr. Minister, and
9 that is this: Is it the policy of your Government
10 that the Crow's Nest Agreement in 1897 should be
11 strictly applied to the movement of grain?

12 A. We say that this is an agreement that should
13 remain in effect, and we are making no observations
14 as to whether it should be strictly applied to grain.
15 If you are thinking about other farm commodities, that
16 is for someone else to decide.

17 Q. No, I am asking you, the agreement as
18 it was written in 1897, and which you say is a binding
19 agreement, should that agreement be what fixes the
20 rate on grain as paid by the farmer?

21 THE CHAIRMAN: Well, of course, Mr. Sinclair,
22 there is a catch in that question which should be
23 explained to Mr. Nollet as to the points in 1897 and
24 the points since.

25 MR. DOHERTY: I wonder if this is the time
26 to discuss this matter. We are going to be dealing
27 with this in Ottawa when we present our substantive
28 case, and while Mr. Nollet would like to give all the
29 help he can, there are a number of technicalities and
30 legal problems involved, and I would suggest we leave



1 it until then.

2 THE CHAIRMAN: No. I think if Mr.
3 Sinclair explained to Mr. Nollet what is involved
4 in that question, with the agreement and the decision
5 of the Supreme Court in 1925 ---

6 MR. SINCLAIR: I would be very happy to,
7 sir.

8 THE CHAIRMAN: Yes.

9 MR. SINCLAIR: Q. Mr. Nollet, the
10 agreement of 1897 was interpreted by the Supreme Court
11 of Canada in 1925, and, as a matter of law, they
12 determined that the agreement in regard to rate
13 reductions therein provided only applied to shipping
14 points on lines of the Canadian Pacific in existence
15 in 1897. In other words, that it did not apply
16 to any shipping point or any line that was not in
17 actual existence in 1897. Now, let us take
18 Saskatchewan ---

19 MR. MAURO: Mr. Chairman, he has not fully
20 explained what happened in 1925. The agreement
21 was varied in 1925.

22 MR. SINCLAIR: I wonder if my friend Mr.
23 Mauro, who is again -- I have explained to the Minister
24 what the agreement ---

25 THE CHAIRMAN: And then following that ---

26 MR. SINCLAIR: And then I said, "take
27 Saskatchewan" when my friend, I think, unnecessarily
28 interrupted.

29 THE CHAIRMAN: Well, let us get on with
30 the business.



1 MR. SINCLAIR: Q. Mr. Minister, take
2 Saskatchewan, as you know there are many shipping points
3 and many lines of railways that are in existence today
4 in Saskatchewan that were not in existence in 1897:
5 You know that?

6 A. Yes.

7 Q. Therefore, under the agreement, as
8 interpreted by the Supreme Court of Canada, the rate
9 provisions would not apply to those lines of railways
10 or the shipping points not in existence in 1897, and
11 the reasons that the same level of grain rates applies
12 on shipments to export positions on lines and shipping
13 points in existence in 1897 and as exist today is this:
14 That the Parliament of Canada in 1925 made it a
15 statutory obligation of the railways to carry grain
16 from all shipping points on all lines on a railway
17 to export positions. This resulted in the same
18 rate eastbound to the Lake Head and westbound to the
19 Pacific Coast, and it was set out in an amendment
20 to the Railway Act.

21 THE CHAIRMAN: And, as Mr. Nollet has
22 indicated, relieved the railway from carrying those
23 13 articles at that rate.

24 MR. SINCLAIR: That is right.

25 Q. That is the grain side of it. There
26 is another side to it, and that is these inbound
27 shipments. The inbound shipments which were covered
28 by the agreement no longer applied, also because of
29 the effect of the operation of the Railway Act as it
30 was amended in 1925.



1 MR. DOHERTY: Mr. Chairman ---

2 THE CHAIRMAN: Let us have Mr. Sinclair's
3 question.

4 MR. SINCLAIR: Q. I think, Mr. Chairman,
5 and Mr. Minister, that that is what was involved in
6 that little question I put to you before. Now, let
7 me go back to it, with that factual background, and
8 I ask you, is it the policy of your Government that the
9 Crow's Nest Agreement of 1897 be strictly applied to the
10 movement of grain -- I will come to the rest later --
11 be strictly applied, as it was written, to the movement
12 of grain?

13 A. Mr. Chairman, the Premier has spoken
14 to you this morning, and the policy of the Government,
15 I think, will be revealed in connection with these
16 matters, when the submission is made at a later date.
17 Certainly, I, as one of the Ministers, on a question
18 of this kind cannot say what the policy of the
19 Government is going to be. I don't think it is a
20 fair question at the moment.

21 THE CHAIRMAN: Well, I think it may be
22 interpreted, Mr. Sinclair, as a question of law, because
23 Mr. Nollet, I don't suppose -- I don't know whether
24 he has read the agreement or not?

25 THE WITNESS: That is right.

26 THE CHAIRMAN: Or whether he would undertake
27 to be the lawyer at the moment.

28 THE WITNESS: I certainly would not.

29 MR. SINCLAIR: Well, if that is the
30 decision of the Commission, very well; I bow to it.



1 Q. I then ask this question of fact, Mr.

2 Nollet; You are a farmer?

3 A. That is right.

4 Q. You live on a railway line, close to a
5 railway line that was not in existence in 1897?

6 A. That is right.

7 Q. Because of that do you think that you
8 should pay higher rates for the movement of your
9 grain to Fort William than your neighbour in Saskatchewan
10 who happens to live on the mainline of the Canadian
11 Pacific Railway?

12 A. Of course not; it would be ridiculous
13 to even suggest it. I think the question is almost
14 an academic and elementary question to ask, because,
15 as I understand it, this was part of the agreement
16 in 1925; We gave up certain things and the railways
17 said, "We will take into consideration these new
18 shipping points and put them under the Crow."

19 Q. What you are saying is that the old deal
20 was put to an end and a new deal was put into effect?

21 A. I wouldn't say that. It could be
22 what was done.

23 Q. Thank you.

24 A. But we do know the Crow's Nest rates
25 are under the jurisdiction of Parliament and we would
26 like them to stay there or, if these things are
27 ever changed, and if a national transportation policy
28 comes forth that will not discriminate in any way
29 against the west or forbid or in any way impair the
30 movement of our products into the export markets of the



1 other provinces and the export markets of the world,
2 whatever that national policy is going to be, certainly
3 I would be agreeable to it, and I think any farmer
4 would be. We don't want the agricultural industry
5 to be handicapped, and we are handicapped now, this
6 Crow's Nest deal is not all of it; it is only a minor
7 part. If we lose that, we lose everything.

8 Q. You wouldn't think that 40 per cent and
9 more of the production of your farm was a minor part
10 of it, would you?

11 A. Well, it is true in Saskatchewan.
12 It is a minor part of my total farm bill.

13 Q. I am asking you, 40 per cent of the
14 production -- over 40 per cent of the production of
15 your farm is not a minor part of your farm?

16 A. In terms of wheat, no, it is not, but
17 I don't happen to be a wheat farmer.

18 Q. No matter what you produce, 40 per cent
19 of the total production is not a minor part?

20 A. No, if you are farming wheat -- if you
21 are farming grain.

22 Q. Well, if you were a rancher, 40 per cent
23 of your livestock production is not a minor part of
24 your production?

25 A. No, that is true.

26 Q. No matter what you produce, 40 per cent
27 of your work is not a minor part of your work?

28 THE CHAIRMAN: He has admitted that.

29 MR. SINCLAIR: Q. You agree with that?

30 A. ... is right.



1 Q. And, now, Mr. Nollet, you know that the
2 railways stated it equivocally that they wished these
3 rates on grain moving to export position to remain
4 under the control of Parliament. You knew that?

5 A. I was not aware of it, sir.

6 Q. Did you also know, Mr. Minister, that the
7 presidents of these two railways have given evidence,
8 and I will speak for Mr. Crump's evidence, now. He
9 stated that it was his view that the farmer of western
10 Canada could not afford either now or in the foreseeable
11 future to pay more for the shipment of his grain to
12 export position. Did you know that?

13 A. Well, it would be very obvious. I think
14 any sensible man would come to that conclusion.

15 Q. And it was for those reasons and for
16 those reasons alone that the proposals that were
17 made by Canadian Pacific were made; did you know that?

18 A. I was not aware of that, sir.

19 MR. SINCLAIR: Thank you.

20
21 BY COMMISSIONER MANN:

22 Q. In paragraph 8 of your submission you
23 speak about 85 million bushels of feed grain production
24 being moved into forward market position. Now,
25 this is not, as I understand, feed grain for export;
26 is it?

27 A. Some of it.

28 Q. Pardon?

29 A. Some of it would go into export market.

30 Q. Not 85 million bushels, though?



1 A. No, not 85 million bushels.

2 Q. But some would be for eastern Canadian
3 markets ---

4 A. That's right.

5 Q. --- moving under the feed grain assistance
6 policy?

7 A. Yes, that's right.

8 COMMISSIONER MANN: I think that's all I have.

9 THE CHAIRMAN: Mr. Nollet, this feed grain
10 assistance -- do you regard that as important to
11 Saskatchewan -- its continuance?

12 THE WITNESS: Yes, we do, in this way: We
13 have always talked a good deal about a national policy
14 for transportation. We also think the same about
15 agriculture. This has been a subject that has
16 been discussed at various times at our conference of
17 Provincial Ministers, and we all feel that it is good
18 for Canada. We realize we would like to see an economy
19 here more diversified, but we have to face the fact
20 we are producing an abundance of feed grains, and we
21 think that this subsidy to assist in a more balanced
22 and stable agriculture down east on feed grains is
23 good because we can readily see the consequences if
24 the eastern agriculturalist had to pay the whole shot
25 for the food consumed -- that goes into the dairy
26 business and hog production down there.

27 Now, we do not object to that, but we object
28 very much against these other discriminations, when
29 our hogs go down east, then we are discriminated against.
30 We are all in favour of anything that will benefit people



1 in every part of Canada.

2 THE CHAIRMAN: Well, when the Maritimes
3 very strongly urged on us that the subsidy should
4 continue ---

5 THE WITNESS: --- should continue, yes,
6 we are all in agreement.

7 THE CHAIRMAN: You are in agreement with that?

8 THE WITNESS: Oh, yes.

9 THE CHAIRMAN: It means something to
10 Saskatchewan as well as to them.

11 THE WITNESS: That's right, yes.

12 THE CHAIRMAN: Thank you, Mr. Nollet.

13 MR. DOHERTY: With your permission, Mr.

14 Chairman -- I understand you wish to continue on --

15 I would like to have Mr. Kuziak present his statement
16 before lunch.

17 Mr. Chairman and Commissioners, may I now
18 call on the Honourable A. G. Kuziak, Minister of
19 Natural Resources.

20
21 SUBMISSION OF THE MINISTER OF
22 NATURAL RESOURCES, PROVINCE OF
SASKATCHEWAN

23 Appearance: Honourable A. G. Kuziak

24 - Minister of Natural Resources.

25 MR. KUZIAK: Mr. Chairman and Members of
26 the Commission: In presenting this statement, my
27 intention is to attempt to indicate to the Commission
28 the importance of Saskatchewan's forest and fishing
29 industries in its overall economy, and to point out
30 the unstable economic climate in which these industries



1 have to operate due to their remoteness from markets.

2 The forest zone in Saskatchewan covers nearly
3 three-fifths of the land area. The value of
4 forest products over the past few years has been
5 approximately \$8,000,000 annually and some 3,800
6 men have been employed in forest industries. It is
7 known that we have the pulpwood available to support
8 at least 1,800 tons daily of Kraft pulp production
9 on a sustaining basis. Our lumbering industry has
10 a continuing yield of sixty million f.b.m. of good
11 grade lumber per year.

12 Main forest products shipped out of
13 Saskatchewan are lumber and pulpwood. Markets are
14 found in Manitoba and the Lake States. The long
15 distances to markets, plus the lack of suitable
16 alternatives to shipping by rail, place the forest
17 industries in a precarious position when in competition
18 with other producers nearer to markets. Whether
19 our products are shipped as raw material or finished,
20 the cost of transportation to market is a primary
21 consideration.

22 The fishing industry in the province, although
23 not equal in value to the products of the forest in-
24 dustries, nevertheless in 1958 produced 12 1/2 million
25 pounds of fish with a market value of \$2,338,000.
26 There are some 1,500 fishermen engaged in fishing oper-
27 ations and eleven modern processing plants employ
28 others in the communities. Because in many Northern
29 settlements fishing is the main means of livelihood,
30 the importance of the industry cannot be shown entirely



1 in dollars.

2 The Provincial Government has assisted the
3 fishing industry in many ways -- by building processing
4 plants, establishing a floor price for fish and by
5 encouraging the formation of a producer controlled
6 marketing co-operative. In 1958, 46 per cent of
7 production was marketed through this co-operative
8 agency. Through Government research and technological
9 developments the quality of fishing products has steadily
10 improved.

11 Approximately 80 per cent of the fisheries
12 production is shipped from the Province by rail to
13 urban centres in Eastern Canada and the United States.
14 The cost of transportation over great distances from
15 the northern lakes to main market centres in New York,
16 Detroit and Chicago, is a major fact confronting the
17 industry. Fish is a perishable product requiring
18 expensive refrigerated storage and other high middle-
19 men costs. Any alleviation of the high cost of
20 transportation would benefit the primary producer.

21 We feel that we have made a good start in
22 developing and using our forest and fish resources
23 in Saskatchewan. With the demand that there
24 must be for forest products in the future, and the
25 shortages of food in many parts of the world, we know
26 that our Natural Resources will be needed. Our
27 inventories have been taken and plans made for the
28 best utilization of these resources in perpetuity.
29 We now need to be assured that any national transportation
30 policy will recognize the extrinsic difficulties with



1 which we are faced in marketing our products in
2 competition with more favourably located producers.

3 THE CHAIRMAN: Thank you, Mr. Kuziak.

4 Mr. Cooper?

5
6 CROSS-EXAMINATION BY MR. COOPER:

7 Q. Mr. Kuziak, has the volume of fish
8 production increased in recent years?

9 A. No, I'd say it is pretty well on the
10 same level. We hold it pretty well down to a
11 sustained yield basis, in order to be able to produce
12 it in perpetuity.

13 Q. In order to be able to produce it ---

14 A. In perpetuity.

15 Q. That is a conservation procedure; is it?

16 A. That's right.

17 Q. And what about the production of forest
18 products over the past few years? Is that a growing
19 industry in Saskatchewan?

20 A. No. I'd say, again, that it is
21 very similar over the past few years. As I pointed
22 out, lumber is our main industry, and we are holding
23 that, again, to sustained yield basis, which runs
24 between 50 to 60 million, or 65 million board feet
25 a year.

26 Now, there is a terrific potential in the
27 production of pulp, if there was a pulp mill established
28 within the province. There are new small industries,
29 too, coming in that will increase fullest utilization.

30 Q. I understand your export of pulpwood goes



1 to the Lake States. Of course, that will be dealt with
2 in another submission.

3 MR. DOHERTY: I believe Mr. Kalmakoff of
4 the Timber Board will be presenting some information
5 on that later.

6 MR. COOPER: That's all I have.

7
8 BY COMMISSIONER MANN:

9 Q. Mr. Minister, just so I can satisfy
10 my own curiosity; you notice Mr. Cooper, who comes
11 from Halifax, and I are rather interested in fish.
12 You say approximately 80 per cent of the fishers'
13 production is shipped by rail. I presume the
14 other 20 per cent is domestically consumed; is that
15 right?

16 A. Yes, that's right, and some trucked,--
17 very little.

18 Q. I was just going to ask that. Is
19 there any shipment at all, Mr. Minister, by truck?

20 A. There is some.

21 Q. Outside the province?

22 A. There is some even going outside the
23 province.

24 Q. To eastern Canadian and eastern United
25 States centres as well?

26 A. I don't think so. Into the
27 Winnipeg area.

28 COMMISSIONER MANN: I see. Thank you
29 very much.

30 THE CHAIRMAN: Thank you very much, Mr.



1 Kuziak. I think we can adjourn now until 2.00
2 o'clock.

3
4 ---Luncheon adjournment.

5
6 ---On resuming at 2.00 p.m.

7 THE CHAIRMAN: All right, Gentlemen, can
8 we proceed.

9 MR. DOHERTY: Mr. Chairman, at this time
10 I would like to ask Mr. A. R. Stevens, Secretary of
11 the Saskatchewan Wheat Pool, to say a few words.

12 MR. CHAIRMAN: I understand, Mr. Stevens,
13 that this is merely a courtesy statement.. You want
14 to recognize us, but your evidence will be presented
15 in Ottawa?

16 MR. STEVENS: That is quite true, yes.

17 THE CHAIRMAN: I take it that you have views
18 on the various matters, but you are not presenting
19 them now.

20 MR. STEVENS: No, not at this point.

21 THE CHAIRMAN: All right, Mr. Stevens.

22 MR. STEVENS: Mr. Chairman and Commissioners,
23 I would like to associate myself with the others who
24 have extended a greeting to you and, Mr. Chairman,
25 to welcome you on your return to your home city.

26 I would also like, on behalf of the one
27 hundred thousand Saskatchewan Wheat Pool farmer members,
28 to extend a welcome to the other members of the
29 Commission to Canada's leading wheat province.
30



1 The purpose of these few remarks, presented
2 informally, is merely to place on record the fact
3 that the Saskatchewan Wheat Pool attaches tremendous
4 importance to the deliberations of this Commission
5 because it deals with matters that are of vital
6 importance to the farmers of Saskatchewan.

7 We desire to take this opportunity of advising
8 the members of this Commission that we plan to ask
9 for the privilege of presenting a brief in the name
10 of the Saskatchewan Wheat Pool at Ottawa later in the
11 year. We are anxious to stress this fact lest
12 our failure to present a brief at this time might
13 be interpreted as lack of interest in the Commission's
14 deliberations. We can assure you that such is
15 not the case.

16 I am sure that all members of the Commission
17 are fully familiar with the great Continental Divide,
18 which for part of its course forms the boundary between
19 Alberta and British Columbia. Waters from the
20 glaciers in these mountain regions divide at this point,
21 some flowing down the great Columbia-Fraser river
22 system to the Pacific, and some flowing through the
23 Saskatchewan-Nelson river system, ultimately finding
24 their way to the Hudson Bay and the Atlantic Ocean.

25 What is not so well known is that there is
26 another great "Divide" in Western Canada, this one inside
27 the western edge of Saskatchewan. This "Divide"
28 is of economic origin, not geographic. The flow
29 which springs from this "Divide" is not water, but
30 grain, and the factor that divides the flow is not



1 mountain peaks, but freight costs.

2 Grain produced in the western fringe of
3 Saskatchewan "flows" westward to ports on the Pacific,
4 while grain produced in Central and eastern
5 Saskatchewan "flows" eastward to the Lakehead and thence
6 to Atlantic ports. Saskatchewan farmers have to
7 pay for this long haul in both directions. It is
8 for this reason that Saskatchewan farmers are vitally
9 interested in anything concerning freight on the
10 movement of their products. It is for this reason
11 that we wish to make the greatest possible contribution
12 to the work of the Commission. We believe we can
13 do this by making our submission at Ottawa later in the
14 hearings.

15 We, therefore, at this time wish to assure
16 the members of this Commission that we shall be pleased
17 to do everything possible to assist the Commission
18 in its work and shall look forward later to having
19 an opportunity of submitting a brief on behalf of
20 the one hundred thousand Saskatchewan Wheat Pool farmers.
21 We can assure you that we regard the subject matter
22 of this inquiry as of vital importance to the farmers
23 of Western Canada and because of the location of the
24 "freight divide" Saskatchewan farmers have perhaps
25 more at stake than any other group. Respectfully
26 submitted, A.R. Stevens, Secretary, Saskatchewan
27 Wheat Pool.

28 THE CHAIRMAN: I don't think that this
29 statement lends itself to any cross-examination, and
30 you have permission from the Commission to present your



1 case in Ottawa.

2 MR. STEVENS: Thank you, sir.

3 THE CHAIRMAN: Mr. Doherty?

4 MR. DOHERTY: Mr. Chairman and Commissioners.

5 I would ask the Commission to give consideration to
6 the submission of the Saskatoon Board of Trade and
7 the City of Saskatoon.

8 We have with us this afternoon Mayor S. L.
9 Buckwold of the City of Saskatoon, and Mr. Charles
10 T. Hazen, president of the Saskatoon Board of Trade,
11 and their brief will be presented later. I would
12 ask first, sir, that His Woship, Mayor S.L. Buckwold
13 address a few remarks to you.

14 THE CHAIRMAN: Yes.

15 MAYOR BUCKWOLD: Mr. Chairman and Members
16 of the Commission, as Mayor of Saskatoon I appreciate
17 very much the opportunity given me and the City of
18 Saskatoon and the Board of Trade to present a brief
19 to you, and what I have to say will just take a
20 minute.

21 I want to thank you for this privilege
22 which you have extended to us to express the very keen
23 interest of citizens of Saskatoon in this problem
24 of freight rates. You may be interested to know
25 just how we got involved in this brief, and I think
26 you will agree that it is rather a lengthy and perhaps
27 detailed one and, frankly, this brief originated --
28 or, at least the work on it originated -- about a
29 year ago, some months before the announcement that any
30 Royal Commission on Transportation would be assembled.



1 It resulted from the fact that we from
2 Saskatoon, as a city and as a Board of Trade, were
3 very concerned about our peculiar situation in Saskatoon,
4 and I might say for the benefit of those who are
5 from out of the province that Saskatoon today is a
6 city of about 87,000, a very pleasant city, and we
7 are sorry that we couldn't extend our hospitality
8 to this Commission there, and we do have these problems
9 which will be presented in the brief. We didn't
10 know just where we would present our studies or to
11 whom; we felt we might have to go direct to the
12 Board of Transport Commissioners and perhaps even direct
13 to the Cabinet. That is how serious we felt our
14 situation was as it pertained to the freight rate
15 problem. We were, therefore, delighted to know
16 that your Commission had been appointed and that
17 we would then have the opportunity of presenting this
18 study which has taken, as I say, a good year to make.

19 I take this opportunity of thanking you,
20 and our witness will be Dr. Winch of the University
21 of Saskatchewan.

22 THE CHAIRMAN: Yes.

23 MR. DOHERTY: This is Mr. Charles T. Hazen,
24 president of the Saskatoon Board of Trade.

25 MR. HAZEN: Mr. Commissioner and Members,
26 what I will say is very brief also and it is merely
27 in support of what His Worship, the Mayor, said.

28 THE CHAIRMAN: One of my colleagues said
29 that that is a New Brunswick name.

30 MR. HAZEN: Yes, I was born there, and I am



1 very happy to go back there on occasions, too, Mr.
2 Chairman.

3 The Saskatoon Board of Trade has been very
4 fortunate in having full support of the Civic
5 Administration of the City of Saskatoon in our
6 presentation of this brief to the Royal Commission.

7 The Board of Trade for many years has been
8 very concerned about the matter of transportation of
9 goods and freight rates as they apply to our city and
10 trading area, and it has been a matter of great concern.

11 From time to time we have had committees
12 studying this problem and the results of our studies
13 have been presented to various officials, boards, and
14 commissions and, as the Mayor has said, well over a
15 year ago that a situation appeared to us to be very
16 acute and we in the city determined to have an
17 attempted study of our situation and present our
18 plea to someone, so therefore the establishment of
19 this Royal Commission was heartily welcomed by us and
20 we are very happy to have this opportunity to present
21 our brief to you and do sincerely hope that the
22 information which we submit, the analysis of the
23 situation as it applies not only to us but to many
24 other parts of Canada, that our claims and recommendations
25 will be of interest and of real help to the Commission
26 in its deliberations. Dr. Winch will be our
27 witness.

28 THE CHAIRMAN: Thank you, Mr. Hazen.

29 MR. DOHERTY: I will now call Dr. David
30 N. Winch to present the brief of the City of Saskatoon



1 and the Saskatoon Board of Trade.

2 Mr. Chairman and Commissioners, since 1958
3 Dr. Winch has been engaged as special lecturer at the
4 Department of Economics of the University of Saskatchewan,
5 and he holds the degrees of B.S.C. in Economics, first
6 class honours, London University. Special subject,
7 economics, analytical and descriptive, and in 1957
8 he obtained his Phd degree in economics, London
9 University, thesis title, "The Economics of Highway
10 Planning".

11 His publications have been, "Problems for
12 the Economist in Highway Planning", road international,
13 spring 1959, International Road Federation, London, and
14 secondly, "Problems for the Economist in Highway
15 Financing" road international, summer 1959, International
16 Road Federation, London.

17 Dr. Winch has prepared two reports to the
18 Ontario Department of Highways in 1958, one on
19 "Vehicle Size and Weight Limits in Ontario" and "Road
20 Subsidies to Municipalities in Ontario".

21 Dr. Winch is the economic consultant to the
22 Canadian Trucking Associations, the Automotive Transportation
23 Association of Ontario and the Saskatchewan Trucking
24 Association.

25 Dr. Winch corrects me in that to say that he
26 has been the economics consultant.

27 THE CHAIRMAN: All right, Dr. Winch.

28 MR. DOHERTY: May I just before he starts
29 say this; our plan is to have Dr. Winch read the brief
30 this afternoon, and having in mind the size of the brief



1 and the issues involved, we would then ask him to
2 stand down for cross-examination.

3 THE CHAIRMAN: We think that the brief is
4 so complete and so important that nobody is ready to
5 cross-examine on it now.

6 MR. DOHERTY: That is as I understand it.

7
8 SUBMISSION OF THE SASKATOON BOARD
9 OF TRADE AND THE CITY OF SASKATOON

10 Appearance: Dr. David Winch

11 DR. WINCH: Mr. Chairman and Members of
12 the Commission, in presenting this brief to the Royal
13 Commission the City of Saskatoon and the Saskatoon
14 Board of Trade have two objectives in mind. The
15 purpose of regional hearings of a commission is to
16 obtain the feelings of the different parts of the
17 nation, and to examine their local problems. It is
18 therefore the primary function of this brief to out-
19 line the difficulties facing the City of Saskatoon
20 which result from the present rate structure of
21 Canadian Railways, and to suggest to the Commission
22 proposals for an equitable solution. But this alone
23 is not enough, for the basic geography of Canada
24 makes its railway transportation system of vital
25 importance to national unity, and while we have seen
26 since confederation the development of other transport
27 media, our railway system remains the economic
28 backbone of the nation on which the interdependence
29 of the various regions vitally depends. While one
30 must therefore examine local problems a national



1 problem cannot be adequately examined by looking
2 at the parts in turn. One must also attempt to
3 see our railway system as a whole, linking the various
4 parts but constituting more than an accumulation of
5 regional networks. Our second task in this submission
6 is therefore to look at the railways through the eyes
7 of Canadians rather than Saskatonians, and we suggest
8 to the Commission that most of our regional
9 difficulties have arisen over the years through a
10 failure in the past to develop a policy for the nation
11 as a whole, but rather to build up a most complicated
12 agglomeration of ad hoc solutions to local problems.
13 So complicated has our freight rate structure become
14 that to attempt to see it in perspective without be-
15 coming bogged down in the confusing mass of detail
16 is a gargantuan task. We do not envy the Commissioners
17 their responsibility but we do suggest that the only
18 hope of lasting solution is to clean up the mess, to
19 make order out of chaos, and to formulate a national
20 policy into which regional difficulties will fit,
21 rather than to search for regional solutions in the
22 vain hope that by piling these one upon the other a
23 balanced policy will result.

24 The first part of our Submission is concerned
25 with the freight rate problems of Western Canada as
26 a whole, which bear upon Saskatoon as part of this
27 region. In the second part we take a closer
28 look at the special problems facing Saskatoon which
29 are not common to the whole of Western Canada, and
30 formulate our recommendations to the Commission. An



1 appendix presents briefly some of the historical
2 background to the problems of this region. It has
3 been separated from the body of the submission in order
4 to avoid obscuring our argument with factual material
5 with which the Commissioners are doubtless already
6 familiar, but included as an appendix for convenient
7 reference to the historical facts on which our
8 arguments are partly based.

9 The Freight Rate Problems of Western Canada:

10 The development of Canadian railways was very closely
11 related to the development of Canada as a nation.
12 The National Policy involved two major principles:
13 Tariff barriers to force trade routes to develop
14 between the different regions of Canada rather than
15 with the U.S.A.; and the building of railways
16 to link east and west with central Canada to make that
17 trade possible. The tariffs have benefitted the
18 industrial economy of central Canada, with resultant
19 higher prices for the consumers of their products
20 in the west; and producers and consumers in the west
21 have met the higher transport costs resulting from
22 longer rail distances on the all Canadian routes.

23 The effect of this policy was well summarized
24 in the Submission of the Province of Saskatchewan to
25 the (Turgeon) Royal Commission on Transportation, P. 72:

26 "In summary, then, it may be noted that
27 Canadian tariffs have denied to the residents
28 of the Prairie Provinces the advantages of
29 buying in the low-cost, mass production
30 areas of the United States. Canadian



1 tariffs have forced them to buy the more
2 expensive Canadian manufactured goods and
3 to pay the freight on what is in many cases
4 a longer haul over Canadian railway lines
5 from the Canadian sources of supply. As
6 producers, the people of the wheat economy
7 have higher and more rigid costs of production
8 as a result of tariffs. As consumers they
9 similarly have higher and more rigid costs
10 of living."

11 "Canadian tariff policy has pursued
12 the dual national purposes of fostering
13 Canadian industry and of creating traffic for
14 Canadian railways. To the extent that
15 these purposes have been achieved the
16 residents of the prairie economy have borne
17 a double portion of the cost involved. First,
18 they have been denied access to many of the
19 efficient mass-producing centres of American
20 production for the purchase of their
21 requirements. Second, they have had to
22 pay transportation charges on their purchases
23 for the longer distances from Canadian pro-
24 duction centres."

25 The impact of the National Policy on Canadian
26 railway traffic has been twofold. As a result of
27 tariff barriers goods have come from producing centres
28 in Canada rather than the U.S.A., and the freight revenue
29 gone wholly to Canadian rather than partly to U.S.
30 railways. Secondly, as a result of different



1 routes, distances and rate structures, the consumer
2 has been burdened with higher freight rates. Accord-
3 ingly we can think of freight rates in Western Canada
4 as being composed of two parts. The first is a rate
5 equivalent to the rate operative on the alternative
6 route from the natural source of supply. This amount
7 has been diverted from U.S. railways into the revenues
8 of Canadian railways with no effect on the consumer,
9 apart of course from the different price paid
10 for the goods. The second part is the difference
11 between the higher Canadian rate and the rate from the
12 alternative U.S. source of supply, the bulk of which
13 is borne by the consumer, but which is incurred wholly
14 in the interests of national unity. This latter
15 part is one of the costs of national unity and should
16 be borne by the nation as a whole. In fact the
17 additional costs of movements north of the lakes, over
18 and above those freight charges which would have been
19 necessary on alternative routes from U.S. sources of
20 supply, have been borne largely by consumers in Western
21 Canada, while rates in Eastern Canada have been
22 consistently lower than those in the west. Thus
23 while the benefits of the National Policy of economic
24 unity in Canada have been predominantly in the interests
25 of manufacturers in Eastern Canada, the cost of unity
26 in the form of higher freight rates has been borne by
27 consumers in the west. This is manifestly inequitable.

28 The argument that the whole nation should
29 share the costs of being a nation was well expressed in
30 this Province's submission to the Turgeon Royal Commission,



P. 64:

"Canadian railway construction has been an integral part of the National Policy. The main lines of the Canadian railway system were located in the national interest and with little regard to the questions of economical construction or operation. The burdens of transportation facilities have thereby been immensely enhanced in the interests of economic and political unity. It is of particular importance that these enhanced burdens should not bear disproportionately upon the various segments of the Canadian economy."

Not only has Western Canada been called upon to bear the costs of movements north of the lakes, but throughout this century railway rates in Western Canada have been consistently above those in the east. The most recent of a series of unsuccessful attempts to remedy this inequity has been class rate equalization. While this has resulted in some improvements it has not solved the problem.

The real achievement of class rate equalization was that it cleared up to a certain extent the chaos into which class rates had fallen. But it was by no means a panacea for the problems of the west, nor did it put Canadian rail rates on an equitable footing. The main reason for this is that class rates carry only one tenth of the value of goods moved. Furthermore while class rates might be lowered in the west, raising



1 them in the east is often impossible because of the
2 competitive nature of transport in central Canada.
3 The railways are then short of revenue which is taken
4 care of by a percentage increase and we are all back
5 where we started. Similarly equalization of
6 commodity rates faces the problem that much of the
7 traffic in eastern Canada moves on specific commodity
8 rates, and if these are equalized it would move on
9 competitive rates. In the last resort enforcement
10 of equalization on all these rates would only lead
11 to more agreed charges.

12 This problem was well summarized by Dr. Innis
13 in the report of the Royal Commission on Transportation:

14 "No scheme of equalization can be devised
15 which will overcome the effects of competition
16 in the St. Lawrence region as reflected
17 particularly in competitive rates. An
18 obsession with equalization will obscure
19 the handicaps of the Maritimes and of Western
20 Canada and perpetuate their paralyzing effects."

21 The apparently hopeless position of the West
22 was well expressed by Mr. J.S. Carmichael of the
23 Freight Services Division, Government of Saskatchewan,
24 in a speech to the Canadian Industrial Traffic League,
25 Regina, April 11, 1959:

26 "Almost any plan for alleviating the
27 heavy burden of freight in the west seems
28 doomed to failure. Anything which would
29 reduce our rates does not appear capable
30 of being retrieved from central Canada so the



1 "railways will require more money, a rate
2 increase, and back up go the rates. That
3 we do carry a disproportionate burden in the
4 west seems generally recognized, although
5 we think of our situation in those terms
6 rather than as being discriminated against.
7 Our per capita freight bill is undoubtedly
8 far higher than in central Canada. Instead
9 of buying from places like Chicago we must
10 buy at higher tariff protected prices over
11 long hauls through barren country from
12 eastern Canada. We do not have the
13 variety or strength of competitive agencies
14 which is present in Ontario and Quebec.
15 Far more goods proportionately move on class
16 rates in the west than in the east. We
17 would point out that Ontario and Quebec have
18 never felt the need of protesting rate
19 increases as the other provinces have done.
20 A rate increase may mean a few cents in the
21 east, but a few dollars to a western consumer."
22 Policies of rate equalization in recent years
23 have completely overlooked the fact that equal rates
24 still apportion the burden of national unity unequally,
25 since the west is forced to pay the cost both ways
26 of the long haul north of the lakes, which haul is
27 necessary only because we are excluded from American
28 markets by tariff barriers. But even equalization
29 has not been achieved on more than a very limited
30 scale. Instead we find that the development of



1 competitive rates in central Canada has maintained
2 their rates considerably below the rates actually paid
3 in the west. The net effect is that not only do we
4 pay higher prices because of protective tariffs in the
5 interests of eastern Canadian manufacturers, and pay
6 the higher transport costs caused by the necessity
7 to buy in Canadian markets, but we are now called
8 upon to subsidize their railways too. The economic
9 cost of being Canadians has certainly been high
10 for the prairie dweller, while the economic advantage
11 of integrating the prairies with central Canada has been
12 predominantly in the interests of the latter.

13 The extent of competitive rates and agreed
14 charges has grown with the development of alternative
15 forms of transport in competition with the railways.
16 The two major competitors are water transport and road
17 transport, air transport being as yet on a limited scale.
18 Water transport appeared first as a challenge to the
19 railways in eastern Canada and has been responsible
20 for considerable rate reductions. While the inland
21 waterways system is effectively limited to the regions
22 of Canada east of Fort William, many of the navigable
23 waterways have been constructed or improved at Dominion
24 expense. It is true that the prairie region has
25 benefitted to some extent from waterways and water
26 competition on long hauls to and from central Canada,
27 but the benefit has been far greater for central Canada.
28 We in Saskatchewan therefore find ourselves in the
29 inenviable position of having shared the cost to the
30 national treasury of constructing waterways, most



1 of the benefit from which is derived by the region east
2 of Fort William, and then because they have cheap water
3 transport they get cheap rail transport too, while the
4 prairies suffer horizontal increases in freight rates
5 to make up the railways' revenue. More will be said
6 below in support of the contention that we in
7 Saskatchewan are subsidizing rail transport in Central
8 Canada.

9 It is not only inland waterways that have
10 caused reductions in competitive freight rates. The
11 Panama Canal route to Vancouver has led to the Pacific
12 coast receiving substantial advantages from the
13 transcontinental rates, while Alberta and the provinces
14 east of Alberta have benefitted from the one and one-
15 third rule, whereby the rate to points east of the
16 Pacific coast may not be more than one and one-third
17 times the rate on the longer haul to the Pacific coast.
18 The development of agreed charges has largely replaced
19 the operation of the one and one-third rule, but
20 agreed charges in some cases similarly show higher
21 rates to Alberta and points east than to the Pacific
22 coast.

23 We in Saskatchewan are poorly situated to
24 benefit from water competition either inland or sea.
25 The only potential source of competition here is
26 development of the Port of Churchill. But use of the
27 Port of Churchill is dependent on the rail link to Hudson's
28 Bay. There is therefore no completely alternative
29 route to avoid use of railways, and by maintaining
30 high freight rates on the Hudson's Bay line the railways



1 are able to ensure that the route does not constitute
2 effective competition with other import and export
3 routes between Saskatchewan and Europe. More will
4 be said below of the effect which this is having in
5 hampering the economic development of the northern
6 part of this province.

7 While water transport was first upon the
8 scene it is truck transport which has caused the
9 rapid increase in the use of competitive rates and
10 agreed charges in recent years. Ontario and Quebec
11 have pioneered in this field largely because their
12 climatic condition make the construction of all year
13 highways feasible, while our trucking industry is
14 hampered by low weight limits and spring load
15 restrictions. Furthermore the population density
16 in central Canada makes high type highways an economic
17 proposition financially, while the types of freight
18 and distances involved are most suitable for truck
19 transport. As a result central Canada has
20 benefitted most from reduced rail freight rates to
21 compete with truck rates.

22 The differential extent of competitive rates
23 and agreed charges in the various regions of Canada
24 can be seen to some extent in the waybill statistics
25 published by the Board of Transport Commissioners for
26 1957, which show revenue from competitive rates and
27 agreed charges as a percentage of total railway revenues
28 for movements originating in each region as follows.

29 MR. SINCLAIR: May I ask, is it "originating
30 and terminating"?



THE WITNESS: Originating, and it means
"originating". The region shown is the region
originating in each case, irrespective of the
destination.

	<u>Maritimes</u>	<u>Eastern Canada</u>	<u>Western Canada</u>
1949 Competitive rates	9.5	15.5	5.1
Agreed charges	<u>0.2</u>	<u>4.0</u>	<u>1.3</u>
	<u>9.7</u>	<u>19.4</u>	<u>6.4</u>
1957 Competitive rates	19.7	26.6	21.2
Agreed charges	<u>10.2</u>	<u>16.7</u>	<u>10.9</u>
	<u>29.8</u>	<u>43.3</u>	<u>32.1</u>

Source: Board of Transport Commissioners, Waybill
Analysis, Carload Traffic. Percentage
compilations by Canadian Trucking Associations.
Submission of Canadian Trucking Associations
Inc. to the Standing Committee on Railways,
Canals and Telegraph Lines of the House of
Commons, April 1959.

While these figures clearly show the greater
incidence of competitive rates and agreed charges in
eastern Canada they do not by any means tell the
whole story. The western Canada figures include
British Columbia which gains reduced rates as a result
of ocean competition. Were figures available for
Saskatchewan alone they would show a greater disparity
from the eastern Canada figures. A typical example
of the uneven incidence of competitive rates and
agreed charges within Western Canada, and its effect,
was given by Mr. Frawley to the Railways Committee
(Minutes of Proceedings and Evidence, Standing Committee
on Railways, Canals and Telegraph Lines, Thursday,



1 April 16th 1959, P. 16.):

2 "A pipe mill in Edmonton has to pay a
3 freight rate of \$1.81 on the coiled steel
4 which it has to buy to make pipe, and a mill
5 at Port Mann in British Columbia pays 95
6 cents from the same steel mill then when the
7 railways go before the board for a freight
8 rate increase -- and Edmonton has to pay 17
9 per cent on top of its rate, while the mill
10 in Port Mann pays zero increase because it has
11 an agreed charge, I call that a distortion
12 in the freight rate structure..... This
13 distortion extends even into the province of
14 Saskatchewan. I find that on the same
15 coiled steel for the mill in Regina they have
16 to pay \$1.81 as against the 95 cents which
17 is paid to the west coast."

18 This growth of agreed charges in western
19 Canada has been rapid in recent years. Over the
20 period covered by the waybill statistics (1949-1957)
21 competitive rates and agreed charges together increased
22 by 1957 to five times their 1949 proportion of revenues
23 in Western Canada but to only two and a quarter times
24 in Eastern Canada. However, these overall figures
25 for the two major regions obscure the fact that while
26 other regions in western Canada have benefitted from
27 the growth in competing forms of transport, Saskatoon
28 has received very little relief in this way. Thus
29 while the position of western Canada as a whole vis-
30 a-vis eastern Canada has been improving, the position of



1 Saskatoon vis-a-vis the rest of western Canada has been
2 deteriorating. The next section of this brief will
3 deal in detail with the special problems caused for
4 Saskatoon in this way.

5 The above figures show that in 1957 43.3 per
6 cent of railway revenue in eastern Canada was derived
7 from competitive rates and agreed charges. Since
8 these rates are considerably below the class rates and
9 commodity rates, this doubtless means that something
10 over one half of the traffic was moving at these
11 reduced rate levels. In view of the importance which
12 now attaches to them it is high time the whole
13 philosophy of competitive rates and agreed charges
14 were subjected to a searching reappraisal. It is
15 strongly recommended that the present Commission under-
16 take this task.

17 The idea behind both competitive rates and
18 agreed charges is simple and sound. When a competing
19 carrier can charge a rate less than the standard rail
20 rate the railway is forced into the choice of charging
21 less or losing the traffic. But before a lower
22 rate becomes defensible certain conditions must be
23 met, and it is our contention that in many cases these
24 conditions are not met.

25 In the first place the rate must be remuner-
26 ative. This means that the railway must cover
27 more than the direct cost of the movement, although
28 it might not cover the overhead costs normally attributed
29 to that class of traffic. In this case the railway
30 is not making an overall profit but it is cutting its



1 losses. With the present state of cost accounting
2 on Canadian railways it is impossible to determine
3 whether a particular rate does cover its direct costs,
4 and it is our suspicion that many do not, in which case
5 the railway would be better off to lose the traffic.

6 In the second place the rate must be at that
7 level which maximises the return over direct costs
8 from the group of movements to which it applies.

9 Pegging the best rate is a difficult task of assessing
10 the elasticity of demand in the face of competition,
11 but a specific example of a case where the present
12 rates are probably too low is on the trans-continental
13 rates to Vancouver. It is possible to ship from

14 eastern Canada or Europe to Vancouver via the Panama
15 Canal at a rate below the standard Canadian rail rate
16 on many commodities. As a result rates on Canadian

17 railways are reduced to retain the traffic. But if
18 the trans-continental rates were raised somewhat it is
19 questionable how much traffic would be lost. Would
20 many shippers tolerate the much longer time

21 involved in the sea voyage to save a small increase
22 in these rates? Some might, but when one considers
23 the increased revenue from higher rates on the traffic

24 which would still move by rail, together with the
25 direct costs saved on the traffic which would be
26 lost, the railway might well be in a better financial

27 position with a higher rate. It is impossible to
28 say anything definite on this with our present
29 state of knowledge of railway costs, but we strongly

30 suggest that the possibility that the present rates



1 are too low is sufficient for the present Commission,
2 or the Board of Transport Commissioners, to undertake
3 a detailed examination of competitive rates and
4 agreed charges to determine how much revenue is being
5 sacrificed by competitive rates which are too low.
6 It is interesting to note that British railways have
7 in recent years undertaken considerable work on cost
8 accounting with the result that direct costs were found
9 to be much higher and overhead costs much lower than
10 had previously been supposed. With competitive
11 rates assuming such immense importance today it is
12 high time that Canadian railways did more work in
13 this field, for it might well emerge that they would
14 be better off without the traffic than with the present
15 low rates, or alternatively that the rates might be
16 raised in many cases without losing a significant
17 proportion of the traffic.

18 If we assume that such a study is undertaken,
19 and the rates revised upward where necessary, one very
20 important question remains which has never received
21 a satisfactory answer, and which we submit it is the
22 task of this Commission to attempt to answer.
23 Competitive rates necessarily do not cover total costs,
24 otherwise standard rates would be no higher than the
25 competitive rates. They might however, cover more
26 than direct costs, and therefore be better than losing
27 the traffic. In this case who pays the overheads
28 which the competitive rates do not cover? The
29 answer at present is regions such as Saskatoon which
30 do not have the benefit of competition, but this



1 solution is manifestly inequitable. If the west
2 is to be relieved of the burden of subsidizing the
3 east in this way, where else is the revenue to come from?

4 We are not suggesting that all traffic should
5 be charged average total cost, or that overheads should
6 be distributed among traffic on an equal ton mile basis.
7 However equitable this might sound we know that it
8 cannot work. Railway rates throughout the world
9 use a class system because of this problem, and
10 this system is simply one of charging what the traffic
11 will bear. A commodity of high value relative to
12 bulk can normally be charged a high rate without losing
13 the traffic by making that industry unprofitable.
14 The class rate system uses this principle by charging
15 a higher rate per ton mile on those classes of traffic
16 which will bear it. The equity of this system is
17 not in question since it is the only way that a railway
18 can derive sufficient revenue to cover its total
19 costs. But the system in Canada has been considerably
20 modified as a result of the impact of competitive
21 rates and agreed charges. It is still a matter of
22 assessing the largest share of overheads against that
23 traffic which has no alternative but to bear it, but
24 instead of this meaning those classes of traffic which
25 have high value relative to bulk and are able to meet
26 high rates, it now means those commodities of all classes
27 originating in or destined for regions which have no
28 alternative form of transport available. It is
29 one thing to make machinery pay a higher rate per ton
30



1 mile than coal, but quite another to make machinery
2 produced or consumed in one region pay a higher rate
3 than that produced or consumed in another. This gives
4 producers and consumers in regions with alternative
5 and competing forms of transport an advantage over
6 those in regions less well served which is quite in-
7 equitable and unjustified.

8 That regions such as Saskatoon are at present
9 subsidizing central Canada cannot seriously be questioned.
10 If all traffic which at present travels by rail paid
11 class rates these could be considerably lower than they
12 are today. But much traffic in central Canada cannot
13 be charged these rates because it would be
14 lost to competing carriers. So those commodities
15 are charged a lower rate and as a result of this the
16 railways are short of revenue and secure a percentage
17 increase which applies predominantly to those regions
18 which do not benefit from competitive rates. Our
19 rates in Saskatoon are certainly higher than they would
20 be in the absence of the necessity for competitive
21 rates, and in this sense we are subsidizing competitive
22 rates.

23 There are three possible lines of argument
24 which lead to different answers to the problem of
25 finding a source of revenue to offset the deficit
26 in overhead costs resulting from competitive rates.
27 The first and second are sound, each representing a
28 different approach, but the third, which leads to the
29 present system is quite indefensible.

30 The first is to face the economic fact that



1 as a result of the growth of competitive carriers
2 with lower costs than the railways, the railways in
3 central Canada are no longer able to devise a rate
4 scale which will meet their costs in central Canada.
5 As a result rates are used which minimize the loss and
6 that loss must be borne by the shareholders of the
7 railways. If this would mean their going out of
8 business and it is felt that this would be against the
9 national interest then a subsidy is called for, but
10 such a subsidy must be carefully administered to
11 avoid upsetting the balance of competition in the
12 transport world. It would be very easy for a subsidy
13 to enable the railways to run at rates which would not
14 cover direct costs while the traffic could be more
15 economically carried by truck.

16 The second possibility is to argue that the
17 operations of the railway must be treated as a
18 whole and if one part makes a loss the railway should
19 be entitled to make a profit on another of its operations
20 to offset this. This would be a simple solution and
21 other operations of the railway companies, such as their
22 hotels and revenues derived from land given them in
23 exchange for building and operating the railway, would
24 largely offset the loss.

25 The third possibility is to argue, as the rail-
26 ways do, that one must treat their operations as a
27 whole and meet the losses elsewhere, but elsewhere
28 means regions such as Saskatoon where high rates can
29 be charged because of their monopoly position, and the
30 profitable non-railway operations of the company do



1 not count. This is the present system, and we are
2 footing the bill. The railways cannot have it both
3 ways any longer. Either they must be prepared to
4 treat their operations in parts, in which case some
5 regions must not be faced with rate increases to meet
6 the losses in others, or they must treat their
7 operations as a whole, and prove an overall deficit
8 on rail and non-rail operations before a claim for a
9 rate increase will be granted.

10 The method used to force Western Canada,
11 and the Prairies in particular to subsidize competitive
12 rates has been the numerous horizontal increases in
13 recent years. The arguments supporting this system
14 at first sight appear reasonable, but when the final
15 effect is considered the result is to place
16 on producers and consumers in Western Canada a cumulative
17 and inequitable burden. Financial difficulties of
18 the railways result partly from rising costs and partly
19 from reduced revenues as a result of competitive rates.
20 The solution to this problem is to increase all rates
21 by a certain percentage. The inequity to Western
22 Canada from this solution comes in three ways.

23 1. In the first place as we have seen above,
24 Western Canada bears the bulk of the costs of movements
25 north of the lakes, which costs result from policies
26 aimed at national unity and should rightly be borne
27 by the nation as a whole. The percentage increase
28 on these rates is likewise borne by producers and
29 consumers in the west.

30 2. Rates on hauls to Western Canada are the



1 highest in the nation on a ton mile basis while the
2 distances are long. The high rates on westbound
3 hauls were clearly shown in the submission by Canadian
4 Trucking Associations to the Standing Committee on
5 Railways, Canals and Telgraph Lines, House of Commons,
6 April 1959. Based on the Board of Transport
7 Commissioners waybill analysis of carload traffic,
8 this submission showed the average level of railway
9 rates in cents per ton mile for movements between rate
10 territories in 1957. The average rate for
11 movements from central to western Canada was 2.92 cents
12 per ton mile, the highest for all movements. By
13 comparison the rate on movements from central Canada
14 to the Maritimes was only 1.44 cents per ton mile.

15 The combination of high rates and long
16 distances means that a given percentage increase,
17 which might mean a few cents in eastern Canada, can mean
18 a few dollars in the west.

19 3. The full increase is applied only on
20 non-competitive rates with the result that the
21 incidence of the burden on the users of the different
22 rates and on the different regions of the country is
23 highly uneven and inequitable. This is clearly
24 shown in the following table which is based on
25 evidence submitted by the railways to the Board of
26 Transport Commissioners in support of their application
27 for a 19 per cent increase. The percentages are
28 taken from Mr. J.J. Frawley's evidence to the Railways
29 Committee of the House of Commons. (Minutes of
30 Proceedings and Evidence, Standing Committee on Railways,



Canals and Telegraph Lines, Thursday, April 16th,
1959, P. 195.)

MR. SINCLAIR: You mean Mr. Frawley's
"argument"?

THE WITNESS: Yes, I am sorry.

MR. SINCLAIR: While Mr. Frawley is not here,
I do not think he would like you to think he gave
evidence.

THE WITNESS: Well, take that as "argument".
I have no objection to the word.

PERCENTAGES OF RAILWAY REVENUE COMING
FROM VARIOUS RATE GROUPS AND THE
PERCENTAGE OF THE HORIZONTAL INCREASE
BORNE BY EACH GROUP.

	<u>Per cent of Revenue</u>	<u>Per cent of Increase</u>
Grain and grain products	9.38	0
"International, overhead and other traffic related to that traffic."	29.62	0
Competitive Rates	12.32	17.6
Agreed charges	11.75	1.75
Normal class and non-competitive commodity rates.	32.03	73.53

SOURCE: Canadian Pacific exhibit to the Board of
Transport Commissioners, 58-22.

It is doubtful whether 17.6 per cent of the
increase can be applied to competitive rates in view
of competitive conditions, and the increase applied
to agreed charges is only in those cases where
an escalator clause is in the agreement. The C.N.R.
expected to get 0.8 per cent of the increase in
revenue from agreed charges.



1 Even if we accept the optimistic estimate
2 of the railways that 25 per cent of the additional
3 revenue which they anticipated from the most recent
4 percentage increase would come from rates other than
5 the normal class and non-competitive commodity rates,
6 we are still left with their intention that the bulk of
7 the increase would come from the class and commodity
8 rated traffic which accounts for only a small pro-
9 portion of railway revenues. The figures are:
10 C.N.R. 75 per cent of the increase will be extracted
11 from 35 per cent of the revenue. C.P.R. 73.53
12 per cent of the increase will be extracted from 32.03
13 per cent of the revenue.

14 These figures are inequitable enough, but this
15 is still not the whole story, for this extortion will
16 not be evenly applied to the class and commodity
17 rated traffic. Mr. Knowles, Commissioner, Board of
18 Transport Commissioners, explained this to the Railway
19 Committee (Op. cit. April 14th 1959 P. 43.):

20 "Of the \$348.3 million the railways
21 estimated, in the last case, that they would
22 not get the full 19 per cent that they
23 asked for because any increase in freight
24 rates drives a certain amount of traffic
25 away.

26 "The C.P.R. figures that they would have
27 22 per cent of their traffic disappear, and
28 the C.N.R. figures 20 per cent -- or vice
29 versa; I do not know which. But those
30 are the two figures for the two roads.....



1 "With a smaller increase of 10 per cent
2 instead of 17 per cent, I took the figure
3 of 19 per cent, which reduces the amount of
4 traffic on which the reduction will apply
5 to \$282,100,000..... Where they put
6 something on, your traffic disappears, so
7 they do not put an increase on it. That
8 is the factor which the railways have allowed,
9 up to 22 per cent. I took 19 per cent."

10 When we make allowance for this we find that
11 some three-quarters of the recent increase is paid
12 by just over one-quarter of the traffic, and these
13 proportions are the same despite the \$20 million subsidy.
14 Since the increase was occasioned largely by rising
15 wages which affected all railway traffic, the conclusion
16 that class and commodity rated traffic is subsidizing
17 competitive rates is inescapable.

18 The regional incidence of the recent
19 horizontal increase was given by Mr. Knowles to the
20 Railways Committee, (Op. cit. P. 16.):

21 "The Western Region is west of Port
22 Arthur, to and including the Pacific coast.
23 Based on the board's waybill analysis
24 of this normal traffic 56.7 per cent moves
25 on the western region. On the central
26 region -- that is Ontario and Quebec --
27 it is 26.5 per cent. The Maritime region,
28 16.8 per cent."

29 Thus we find that twice as much of the hori-
30 zontal increase was paid by Western Canada as by Eastern



1 Canada, while the increase was necessitated partly
2 by rising wage costs applying to the whole nation,
3 and partly by deficient revenues resulting from
4 extensions of competitive rates from which Eastern
5 Canada gains more than the west.

6 It is high time that drastic revisions were
7 made in the Canadian railway rate structure to remedy these
8 inequities. This is not merely a matter of justice,
9 which should be argument enough, but a matter of
10 national expediency because of the effect which
11 a failure to do so will have on the future
12 development of this region. The economy of Sask-
13 atchewan has in the past been based predominantly on
14 agriculture, and the northern part of the Province
15 little developed. Recently, however, we have seen
16 growing diversification of the economy with the growth
17 of manufacturing industry, and the future holds great
18 prospects for development of mineral resources in the
19 north. These trends of change in our economy
20 will result in both a higher standard of living
21 for our people, and less complete dependence for
22 our welfare on the vagaries of climate and world
23 markets for wheat. But diversification has been
24 hampered in the past by high freight rates, and
25 northern development threatens to be stillborn for the
26 same reason.

27 The present high freight rates and particularly
28 the differential between rates in Eastern and Western
29 Canada make it extremely difficult for western
30 manufacturers to produce and sell economically in



1 Canadian and export markets. It has been argued that
2 high rates to and from Eastern Canada operate in the
3 interest of the western manufacturer by protecting
4 western markets from his Eastern Canadian competitor.
5 This attitude completely overlooks the complementary
6 rather than competitive nature of industrial develop-
7 ment in the northern prairie. Western Canada
8 cannot isolate itself from the rest of the nation for
9 two reasons: In the first place it cannot
10 produce all the goods it needs; and in the second
11 place the western market is too small to support its
12 own industrial development. We must rather look
13 to development in the north as an integral part of
14 the Canadian economy, complementary to, rather than
15 competitive with established industry in Eastern
16 Canada. Development of the north will greatly
17 expand western population and thereby expand the market
18 for eastern as well as western industry. The
19 produce of mineral developments in the north will
20 largely be used in the industrial region of eastern
21 Canada. Successful industrial development in the
22 northern prairies can never be fostered by high
23 freight rates which create a barrier to movement
24 across the country, but rather by low rates which
25 facilitate the exploitation of our northern resources
26 as an integral part of the whole Canadian economy
27 in the interests of established industry in the east
28 as much as potential industrial development in the west.
29 The present high freight rates will severely restrict
30 the exploitation of our northern resources both by



1 making the movement of produce to eastern industrial
2 markets uneconomic and by maintaining a high cost of
3 living in western Canada which will discourage the
4 settlement of the necessary population.

5 The northern prairies are a region of great
6 promise at present little developed. The way in
7 which other regions of this country were developed
8 was to link them with the rest of the economy by rail
9 at economic rates. But with the development of
10 competitive rates and agreed charges the railways
11 can no longer perform what has throughout history
12 been one of their most important functions. Un-
13 developed regions of northern Canada do not have the
14 advantage of competitive transport media. To
15 extend the rail network in an effort to develop the
16 north would therefore necessitate high rates because
17 there is no competitive reason for low rates. But
18 within this framework industry would continue to settle
19 in the south of the Province and the north will not be
20 developed.

21 Thus while the policy in the past was to
22 build the railway, charge economic rates, and so
23 foster the development of industry and population
24 growth so that the whole project became worth while;
25 the attitude now is that a region cannot have rail
26 rates that will foster its development until it is
27 so developed as to have an alternative and competing
28 form of transport. Then when the railway is not so
29 vital the rates come down. This situation has grown
30 up as a result of the tendency to find ad hoc solutions



1 to railway problems while losing sight of the system
2 as a whole. Competitive rates avoid losing the
3 traffic, and horizontal increases make up the revenue,
4 but we strongly urge this Commission to look at the impact
5 which such a rate structure will have in stifling
6 development in Northern Canada. It is time to look to
7 the future and devise a rate system which is primarily
8 orientated not to correcting the mistakes of the past,
9 nor to making a system which has become uneconomic
10 in the face of competition continue to pay dividends;
11 but rather to avoiding the mistakes which we are
12 at present destined to make in the future. Radical
13 revision in our whole rate policy will be needed, but
14 before we examine some of the lines along which a
15 solution might be sought we shall in the next part of
16 this submission take a closer look at the problems
17 facing Saskatoon, for these problems illustrate forcibly
18 the dangers with which the present rate system is fraught.

19 The Problems of Saskatoon: As we have
20 seen in the preceding part of this submission,
21 western Canada has over the years had consistently higher
22 freight rates than eastern Canada, which has had the
23 dual effects of reducing levels of prosperity for the
24 western economies by raising costs to the producer and
25 prices to the consumer, and of hampering the develop-
26 ment of the western economies along those lines which
27 offer the most attractive prospects for the future.
28 In recent years, however, the spread of competitive
29 rates and agreed charges in western Canada as a whole
30 has gone some way towards closing the differential



1 with eastern Canada. These recent improvements in
2 the picture have not been shared by Saskatoon.

3 While agreed charges and competitive rates
4 are growing at a fast rate in western Canada as a
5 whole, they are naturally being applied to those move-
6 ments where alternative forms of transport offer
7 serious competition with the railways. Air transport
8 is not a serious competitor in freight movements
9 as yet, and Saskatoon is too far from the west coast
10 to share the advantages of sea transport via
11 Vancouver which has brought about some relief in freight
12 rates in British Columbia and Alberta. While the
13 Port of Churchill offers more prospect of relief for
14 Saskatoon it has not as yet developed to a sufficient
15 degree to bring about any significant freight rate
16 reductions in the form of agreed charges from
17 eastern or western points. The only effective
18 competition with the railways as far as Saskatoon is
19 concerned is highway transportation, and load limits
20 on Saskatchewan highways are so low as to have limited
21 the effectiveness of this force.

22 Thus while competitive rates and agreed
23 charges are bringing lower transport costs to western
24 Canada as a whole, Saskatoon is not sharing these
25 benefits because it is as yet poorly served by competing
26 forms of transport. The development of agreed
27 charges and competitive rates has therefore operated
28 to the disadvantage of Saskatoon in that most other
29 major cities in western Canada have received a
30 competitive advantage in the form of lower transport costs.



1 This already means that both producers and consumers
2 in Saskatoon face higher costs than in other Prairie
3 cities, but its most important impact will be
4 on the future development of this city.

5 An interesting analogy can be drawn between
6 the effect which the freight rate structure has had on
7 the balanced development of major cities in
8 western and central Canada. As far as length of haul
9 to western markets is concerned Toronto has considerable
10 advantage over Windsor, Hamilton and Montreal.
11 However, under the "A" and "B" grouping the class rates
12 from the whole of this area to points west of Port
13 Arthur are equal. Protests from Montreal following
14 the recommendation of the Turgeon Commission that this
15 anomaly be corrected, resulted in this grouping being
16 retained despite equalization of class rates.
17 Furthermore the rates between the cities within this
18 grouping are low because of competitive rates and agreed
19 charges resulting from truck and water competition.
20 The balanced development of these centres has
21 therefore been attained despite mileage differences
22 by equal freight rates. When we look at the
23 destinations of these westbound hauls, however, the
24 position is completely different. Of five major
25 centres on the Prairies, Winnipeg, Regina, Saskatoon,
26 Calgary, and Edmonton, Winnipeg secures much lower rates
27 than the other four. This is of course justifiable
28 on a mileage basis, but mileage is not the basis for
29 rates from the "A" and "B" grouping in central Canada.
30 If a policy of equal rates from centres in the east



1 irrespective of mileage to secure balanced development
2 is justifiable, then it is no less justifiable for
3 the same reasons to grant equal rates to points of
4 destination in the west.

5 We recommend to the Commission that
6 consideration be given to extension of the grouping
7 system to prairie centres. The precedent is
8 established of "A" and "B" grouping in Eastern Canada
9 and the result there has been beneficial to the balanced
10 development of the area. The near future holds
11 great promise of industrial development in the
12 north and west of this country, the balance of which
13 should not be prejudiced from the beginning by
14 freight rate differentials. Further studies will
15 be necessary to determine the optimum arrangement of
16 such groupings, but we recommend that Regina, Saskatoon
17 and the other centres of northern Saskatchewan be placed
18 in one group with equal rates both inbound and outbound.
19 The impact of such a scheme in equalizing rates from
20 Eastern Canada and the west coast would go a long
21 way towards ensuring that the location of new industrial
22 development will be based on economic considerations
23 alone and not distorted by differentials in the
24 freight rate structure.

25 While class rates are equalized on a mileage
26 basis, commodity rates are probably more commonly used
27 to destinations in the west. It is interesting to
28 compare the treatment afforded under commodity rates
29 to the two major centres in Alberta, Edmonton and
30 Calgary, and the two major centres in Saskatchewan,



Regina and Saskatoon. The following rates are
taken from C.F.A. No. 5 -- J., from territory 10
(Toronto), and were operative on August 10, 1959.

ITEM NO.

1120	Beet pulp	(36,000 lbs.)
	Edmonton	170
	Calgary	170
	Regina	153
	Saskatoon	162
1160	Bicycles and bicycle parts	(16,000 lbs.)
	Edmonton	697
	Calgary	697
	Regina	553
	Saskatoon	596
1870	Cement flooring and linoleum	(30,000 lbs)
	Edmonton	406
	Calgary	406
	Regina	310
	Saskatoon	337
2080	Charcoal and wood	(24,000 lbs.)
	Edmonton	258
	Calgary	258
	Regina	204
	Saskatoon	218
2420	Conduit and conduit coupling	(50,000 lbs.)
	Edmonton	362
	Calgary	362
	Regina	279
	Saskatoon	298



1	2480	Cordage (24,000 lbs.)	
2		Edmonton	453
3		Calgary	453
4		Regina	352
5		Saskatoon	382
6	4300	Iron and steel articles, bridge or structural	
7		steel, bar, plate, plain and sheet (40,000 lbs.	
		or 36,000 lbs.)	
8		Edmonton	360
9		Calgary	360
10		Regina	279
11		Saskatoon	303

12 These are but a few examples, but serve to
13 show that over a wide range of commodity rates Edmonton
14 and Calgary receive equal treatment despite the
15 mileage difference, while Saskatoon rates are higher
16 than Regina. Even this inequity is not consistent
17 however, as there are cases where the Edmonton and
18 Calgary rates differ, e.g.:

19	2130	Chemicals, drugs or medicines (30,000 lbs.)	
20		Edmonton	445
21		Calgary	445
22		Regina	357
23		Saskatoon	377

24 In this case Calgary pays an extra 10 cents
25 for the extra 74 miles over the Edmonton rate and
26 mileage, while Saskatoon pays 20 cents for the extra
27 114 miles over Regina. Even here we find the rate
28 per mile for the extra mileage in favour of Calgary.

29 Commodity rates, however, do not show the
30 complete picture since many commodities are shipped



on agreed charges. In such a case the commodity rate becomes obsolete but remains in the rate book for the confusion of the shipper. We strongly recommend a consolidation of railway rate schedules with the deletion of obsolete rates so that the system is no longer made to appear more complicated than necessary.

One example from the above cases where agreed charges have superseded the commodity rates is in item 1870, cement flooring and linoleum. The rates are as follows:

	Commodity rate (30,000 lbs.)	Agreed Charge (24,000)	Per- Cent Reduction	Agreed Charge (50,000)	Per- Cent Reduction
Edmonton	406	327	19.5	301	25.4
Calgary	406	327	19.5	301	25.4
Regina	310	285	8.1	259	16.5
Saskatoon	337	310	8.0	282	16.3

The effect of agreed charges can be clearly seen as working to the advantage of the Alberta cities, which not only receive the same rate, a privilege not granted to the Saskatchewan cities, but have received a much greater percentage reduction in their rates as a result of agreed charges.

Lower rates are also brought about as a result of the trans-continental rates to Vancouver. Mention was made in the first part of this submission of the low trans-continental rate to Vancouver to meet competition via the Panama Canal, and it was suggested that in many cases these rates are lower than necessary to secure shipment by rail. The glaring



1 inequities so caused can be seen from a typical
2 example. The rate on steel bars and plate from
3 Hamilton to Winnipeg for 100,000 lbs is 150 per
4 hundred weight (Agreed charge No. 653.) The rate
5 from Hamilton to Vancouver for 100,000 lbs is 120
6 per hundred weight. The rate from Hamilton to
7 Saskatoon is the sum of the rate to Winnipeg and
8 the incentive rate from Winnipeg to Saskatoon of 67
9 per hundred weight on loads of 60,000 lbs or more.
10 This means that a 100,000 lbs load of steel can move
11 from Hamilton to Winnipeg for \$1,500, it can go all the
12 way to Vancouver for \$1,200 dollars, but for the
13 intermediate distance to Saskatoon the rate is \$2,170.

14 A further problem which arises from anomalies
15 in the rate structure on hauls from the east to
16 Saskatoon is the necessity in many cases to rebill a
17 shipment at Winnipeg to secure a minimum rate to
18 Saskatoon. A 60,000 lbs load of nails from Hamilton
19 to Saskatoon with stop off and rebilling at Winnipeg
20 has a rate of 257 (Agreed charge No. 328, Supplement
21 5, July 1st 1959.) For the same haul with no
22 stop off, thereby saving a great deal of time and
23 effort the rate is 356 (Class 45). The rate from
24 Hamilton to Edmonton for a similar load is 200 (Agreed
25 charge No. 328), while the rate from Edmonton to
26 Saskatoon is 112 (Class 45). Quite apart from the
27 inequity of the much lower rate on the longer haul to
28 Edmonton than to Saskatoon, this means that there are
29 three ways to send nails from Hamilton to Saskatoon.
30 With stop off and rebilling at Winnipeg the rate is



1 \$2.67. To send them straight through to Edmonton
2 and bring them all the way back to Saskatoon the
3 rate is \$3.12. But to do it the sensible
4 way and bring them straight to Saskatoon the rate is
5 \$3.56. This is but one example of the chaos
6 into which rate schedules have been allowed to fall
7 over recent years. We submit to the Commission
8 that a thorough investigation of all the different
9 types of rates is urgently needed so that not only are
10 such ridiculous anomalies removed, but the glaring
11 inequities between the different centres corrected.
12 In particular we submit that no through rate should be
13 higher than the lowest possible combination of other
14 rates.

15 The net effect of these rates is that Saska-
16 toon is placed at an artificial competitive disadvantage
17 vis-a-vis other Prairie cities. Winnipeg has much
18 lower rates because of the shorter mileage from central
19 Canada. Edmonton and Calgary benefit from low
20 rates caused by sea competition, and over a wide range
21 of shipments receive the same rate despite the
22 difference in mileage from central Canada. Regina
23 benefits from more competitive rates than Saskatoon,
24 and Saskatoon does not receive the privilege of equal
25 rates with Regina, as does Calgary with Edmonton.
26 This already results in higher production costs and
27 higher prices for the consumer in Saskatoon, and will
28 have a serious detrimental effect on future development
29 in the north of this Province.

30 Not only are rates not equalized between



truck competitive rates is that the all weather highway mileage from Winnipeg to Saskatoon is 167 miles further than from Winnipeg to Regina. In addition the Regina route is on the Trans-Canada Highway which allows higher truck weights. But truck costs have no bearing on rail costs, and there appears to be no equitable reason why better highway services to Regina should secure such a great advantage in rail rates when the trucks are not used. This is a clear case of monopolistic price discrimination by the railways, extracting a much higher rate from the city where there is no competition.

Movements from the west into the Prairies similarly show anomalies and inequities which call for correction. A typical case is shown below, for apples and pears and stone fruit from the Okanagan to: (rates as on November 10th, 1959)

	Apples and pears	Stone fruit
Edmonton	1.32	2.27
Calgary	1.19	1.88
Regina	1.91	2.47
Saskatoon	1.91	3.05
Winnipeg	1.91	2.30

Calgary naturally takes a lower rate than Edmonton because of the shorter mileage, while there is little difference in the mileages to Regina and Saskatoon. While Regina and Saskatoon are equal on the rate for apples and pears, the rate to Saskatoon is much higher for stone fruit. There is no reason for this on a basis of competition, for any competition



1 that applies to apples and pears applies equally to
2 stone fruit. In both cases we again see that
3 despite its central location Saskatoon has the highest
4 rate of the major prairie cities on both groups,
5 and is much higher than the others on stone fruit.
6 This is another of the inconsistencies in the rate
7 structure which deserves close attention.

8 I might interject there that since this
9 brief was written I understand the railways have
10 anticipated it to a certain extent, and some of these
11 have received some attention. That is only one
12 example, but there are still others in the books.

13 The rates for Regina, Saskatoon and Winnipeg
14 on apples and pears have only recently been equalized.
15 Much the same position now exists on Ontario fruit
16 westbound to the Prairies. The rates from Ontario
17 are (5.J. Item 3465):

18	Regina	350
19	Saskatoon	350
20	Yorkton	350
21	Calgary	430
22	Edmonton	430

23 We hope that this grouping tendency whereby
24 Saskatchewan cities benefit from equal rates will
25 create a precedent for further grouping of other rates
26 on the same lines.

27 On eastbound hauls from Vancouver the class
28 rates on all commodities are equal for Saskatoon and
29 Regina, and a considerable amount of traffic is
30 carried at these rates. The railway mileages are



1 1088 from Vancouver to Saskatoon and 1108 from
2 Vancouver to Regina. Under the mileage
3 groupings for class rate equalization 25 mile blocks
4 are used for distances from 100 to 1500 miles. The
5 rate to Regina should therefore be higher than the
6 rate for Saskatoon. It is true that the mileage
7 difference between the two cities is 20 miles on
8 hauls from Vancouver, and 114 miles on hauls from Toronto,
9 but if Regina secures lower class rates on westbound hauls
10 because of the equalized class rate mileage scale then
11 Saskatoon should have some rate advantage on eastbound
12 hauls. We are not arguing for higher rates for
13 Regina. Our claim is that if eastern Canada can have
14 the "A" and "B" grouping, Regina can have equal rates
15 with Saskatoon on eastbound hauls, and Calgary can
16 have equal commodity rates with Edmonton on westbound
17 hauls there is no justifiable ground for denying Saskatoon
18 our claim for equal rates with Regina on westbound
19 hauls.

20 THE CHAIRMAN: We might give you a rest now.

21
22 ---A Short Recess.

23 THE CHAIRMAN: All right, Mr. Doherty.

24 THE WITNESS: Further inequities and
25 anomalies result every day from the unnecessary
26 complexity of rate schedules, which cause great con-
27 fusion to the shippers and give an impression, sometimes
28 accurate of chaos in the system. The rate schedules
29 are cluttered up with obsolete rates which can lead
30 to higher rates than necessary being paid. We have



1 the system whereby a commodity rate applies to all
2 shippers with no discrimination. But where a commo-
3 dity rate replaces a higher class rate and the
4 higher rate remains in the book, the shipper may
5 pay the class rate by mistake because of his failure
6 to find the commodity rate. A further provision
7 aimed to avoid discrimination is that the terms of
8 agreed charges may be claimed by all shippers, but
9 before a shipper can benefit from this he has to be
10 aware of the agreed charge and claim the benefit of it.
11 Small firms which do not employ expert freight managers
12 can often become lost in the schedules and miss
13 many opportunities of lower rates to which they
14 are legally entitled. There are many cases of
15 inequities being brought to the attention of the
16 railways by enterprising shippers, when the railways
17 are often co-operative and the inequity removed. It
18 should not be necessary, however, for the shipper to
19 have to point out inequities to the railways, which
20 results in many shippers accidentally paying high rates
21 for want of expert advice on their rights.

22 We recommend that the published rate schedules
23 of the railways be co-ordinated and simplified,
24 relieved of all obsolete rates, kept up to date, and
25 constantly subjected to review by the technical
26 advisers of the Board of Transport Commissioners so
27 that inequities may be removed at the source, and the
28 small shipper can pay the indicated rate without fear
29 that his rival will find the chance of a better rate buried
30 somewhere in the system.



One further revision, long overdue in the interests of equity, is the granting of through rates on hauls which involve mileages on both railway networks. At present the shipper on such a route pays the sum of the rates on each line. With tapered mileage rates and mileage blocking this is often considerably more than the equivalent single rate on the through mileage from origin to destination. It is quite inequitable that the shipper should be penalized in this way because the route happens to be partly under the control of each network.

Our case is not based on equity alone. Correction of the imbalance of present freight rate structures is a matter of expediency of vital concern to the future economic development of this region and of Canada as a whole. The economy of Saskatchewan is based on two major cities, Regina and Saskatoon. With the difficulties facing the wheat industry hopes for the future are largely dependent on diversification of the economy with a marked expansion in manufacturing industry. Saskatoon is destined to become a major centre for the planned development of mineral resources in the north of the Province. Currently we are seeing the development of the South Saskatchewan Dam as an irrigation and power scheme only 65 miles from Saskatoon. This will call for large quantities of construction materials which must either be produced locally or brought in at high freight rates. The development of irrigated farming will be the basis for a whole



1 new processing industry, while industrial development
2 generally in this region will be aided by the availability
3 of cheap power. The growth in population which
4 more intensive farming and industrial development
5 will bring will provide an expanded market for consumer
6 goods. The prospects of economic progress in
7 northern Saskatchewan, with Saskatoon as the natural
8 centre, are indeed bright. The one factor which,
9 unless corrected, will severely restrict this
10 development is the high freight rates with which the
11 Saskatoon area is burdened.

12 The existing freight rate differential between
13 Regina and Saskatoon for movements to and from central
14 Canada, means that any industry locating in Saskatoon
15 faces severe disadvantages vis-a-vis a location
16 in Regina. Thus while geographic and economic
17 considerations would naturally lead to the rapid
18 development of Saskatoon as a manufacturing centre,
19 the present freight rate structure is a severe handi-
20 cap which threatens to slow down the development of
21 Saskatoon, and with it the prosperity of the whole
22 Province, and indeed the success of plans to develop
23 and exploit northern mineral resources.

24 This type of effect which results from a
25 system of agreed and competitive charges is most
26 undesirable. It was by no means an intended, nor
27 even a foreseen, result; but it does none the less
28 suggest that a critical reappraisal of the whole
29 system of competitive rate making is urgently needed.
30 The problem applies particularly to Saskatoon, but



1 there are doubtless other centres in Canada facing
2 similar difficulties, particularly these most vitally
3 concerned with future development. An industrial
4 centre does not benefit from low cost highway trans-
5 portation until it is developed to a considerable
6 extent, unless it happens to lie on an existing route,
7 but it does not benefit from agreed charges until
8 it has effective competition. Thus the development
9 of new centres on which we rely so much for the ex-
10 pansion of the Canadian economy, particularly in the
11 north, is hampered by the fact that the present freight
12 rate structure gives a substantial competitive
13 advantage to existing industrial centres.

14 The basic philosophy of agreed charges is
15 sound; where it is impossible to make a freight movement
16 pay its full share of overheads, it is better that it
17 should pay something than that it should pay nothing
18 at all. Similarly there are sound arguments
19 against extending the lower rates of agreed charges
20 to all movements, including those where no effective
21 competition exists. To do so would mean that no
22 freight movement pays its full share of overhead costs
23 and the railways would need extensive subsidy. The
24 basic principle of economics that all transport move-
25 ments should pay their full costs means that extensive
26 and indiscriminate subsidies are unsound.

27 These arguments, independently sound, can be
28 used to justify the lower charges for most centres, and
29 the higher charges for Saskatoon. But when they
30 are used together to justify the existing differential



1 in a dynamic and developing economy they are unsound,
2 as further considerations become important. The
3 most important of these is the impact on future
4 industrial location.

5 Established centres served by competitive
6 transport media can secure lower rail rates to markets
7 and from sources of supply than can a newly developing
8 centre without effective competition. This rate
9 differential can greatly affect the location of
10 new industry, but it is based not on the sound
11 economics of transport costs, but on the vagaries of
12 a transport market with varying degrees of competition.
13 Differential rail rates based on competition overlook
14 the one form of competition which is vital to
15 industrial location in a developing economy, namely the
16 competition between alternative locations. If a
17 firm is free to locate either where transport costs
18 are the most economic or where freight rates are
19 lowest because of highway or other competition, it
20 will locate in the latter centre even though from the
21 cost standpoint this is sub-optimum. While esta-
22 blished centres with alternative transport media have
23 lower rates than developing regions served only by
24 rail, there will be a severe obstacle to industrial
25 development in the new region.

26 This type of competition is not normally
27 recognized because it is effective only where industrial
28 location is flexible. But the future of Canada,
29 and particularly of the Prairie Provinces rests on
30 new industrial development, and the industry with the



1 most flexible location is that which is not yet
2 built. New industrial settlement is the one problem
3 which the present rate structure ignores, and unwittingly
4 impedes, yet it is one vital to the future economy
5 of Saskatchewan, and indeed to the whole of Canada.

6 There are three directions in which a railway
7 can look when determining a rate schedule, to the past,
8 the present and the future. The present system
9 looks to the past and the present but not to the
10 future. In this short sightedness it overlooks one
11 of the basic premises of monopolistic price
12 discrimination, that the two markets must be distinct.
13 The time honoured system of class rates is essentially
14 price discrimination looking at the present.
15 It is possible to charge machinery a higher rate per
16 ton miles than coal, because machinery cannot pass
17 as coal and the two markets are therefore distinct.
18 The competitive rate system and agreed charges look
19 essentially to correcting the past. Railways were
20 built which in the face of water and highway competition
21 can no longer pay their full overhead costs.
22 Accordingly lower rates are charged where the competition
23 is toughest and higher rates where the railway has
24 a monopoly. This is possible because a plant
25 located at one centre cannot ship at the rate to another
26 centre. Again the markets are distinct. But
27 a rate system built up in this way fails to meet the
28 challenge of the future, for a new plant can locate
29 where the rates are lowest, and to charge lower rates
30 in the established centres where competition is most



1 developed means that new industry will settle in
2 those same centres and plans for developing new centres
3 to exploit the wealth of resources as yet untapped
4 in our northland will face a severe handicap.

5 It is our contention that Canadian railways
6 were developed as an instrument of national policy,
7 and as such they should frame rate policies with the
8 national interest in mind. This calls for a
9 policy oriented to future development, for despite our
10 high standard of living Canada remains one of the most
11 under-developed countries in the world. Our future
12 growth and prosperity rests on developing untapped
13 resources and the railways as an instrument of national
14 policy should help to bring this about. That they
15 play a vital role in development was amply proven in
16 our own history when far greater wisdom and foresight
17 were practised than is apparent today. Our nation
18 was built round a backbone of two railways, government
19 aided and offering low rates. Had it not been for
20 the rates established under the Crow's Nest Pass Agree-
21 ment the prairies would never have developed at the
22 pace they did. These rates were established and
23 the railway built to meet competition from the U.S.A.
24 The position is strikingly similar today when we look
25 to the north. If this region is to develop in
26 the face of competition it must enjoy at least equal
27 freight rates with the established regions of this
28 country.

29 While the Crow's Nest rates involved an
30 element of subsidy, later removed on all but grain and



1 grain products, the development which they made
2 possible was not unsound for that reason. Developing
3 the prairies meant more freight for the railways and
4 more revenue. Their financial position was much
5 better at lower rates which encouraged the growth
6 of traffic than it would have been at higher rates
7 with little freight. This same recognition of
8 the high elasticity of demand has been applied to
9 competitive rates and agreed charges. It is better
10 to have low rates and a lot of traffic than high
11 rates and very little. And precisely the same sit-
12 uation exists in northern Canada today. High rates
13 discourage development and the shortage of traffic
14 places the railways in financial difficulties. If
15 rates were reduced at least to the levels in other
16 parts of the country the impetus to development so
17 caused would bring rapid growth in the volumes of
18 freight and more revenue to the railways than they
19 at present secure from stunted development at high
20 rates.

21 If we have lost sight of the lesson of
22 history and discard low rates as a spur to traffic
23 growth, there is still ample justification for lower
24 rates for regions such as Saskatoon on the basis of
25 competition. Mention has already been made of the
26 way in which low rates to other centres effectively
27 do compete with rates to Saskatoon, at least as far
28 as new industries are concerned. To meet this
29 competition lower rates on the Hudson's Bay line
30 would do a great deal to develop the Port of Churchill



1 and attract new development to this northern outlet.

2 One of the great obstacles to the develop-
3 ment of the prairies has always been the long distance
4 to sea ports. If this region is to benefit fully
5 from the potential prosperity which the future holds
6 it must have access to water transport. The Port of
7 Churchill is developing rapidly and everything
8 possible should be done to further this development.
9 To the south we have the St. Lawrence Seaway which has
10 made the lakehead a direct link with the major trade
11 routes of this continent and the world. If Canada
12 is to benefit fully from this project it is vital that
13 the ports of Port Arthur and Fort William be developed
14 at least to keep pace with the expansion of Duluth.
15 But development of the Great Lakes - St. Lawrence
16 route to the prairies will not adequately foster
17 northern development if the northern part of the province
18 is placed under the competitive burden of higher freight
19 rates than southern centres. The whole of the future
20 prosperity of this area rests on economic freight rates
21 to Eastern Canada both by direct rail link and via
22 the lakes. The building of a second Trans-Canada
23 Highway to link Saskatoon to the Lakehead will greatly
24 assist in overcoming the transport difficulties of the
25 northern prairies both to the lakes and via the Yellow-
26 head route to Vancouver.

27 The growth of highway transport has been
28 a major cause of prosperity in Canada in recent years
29 both by offering a different type of service from that
30 offered by the railways and in forcing competitive



1 rail rate reductions. The impact which the Trans-
2 Canada Highway had in encouraging highway transport
3 and forcing the railways into more and more agreed
4 charges is well known. Pressure is now growing
5 for a second Trans-Canada Highway to pass through
6 Saskatoon and the Yellowhead route. Its construction
7 is only a matter of time. When it is built trucking
8 will offer the low cost transport needed for industrial
9 development. The railways will then try to win
10 back the traffic by agreed charges. How much better
11 for the railways to lower their rates now and
12 encourage the growth of industry centred round rail
13 transport, rather than wait for the highways to take
14 the initiative and then try to woo the shipper to
15 the rails.

16 With developments in containerization and
17 piggy-back operations the next few years will see a
18 change in the relations between road and rail transport
19 from one of competition to one of co-operation is
20 providing the most economical form of transportation
21 by combining the advantages of the two media. This
22 development is in the interests of the railways as
23 well as of the whole economy. Efforts should
24 be made to encourage it and we recommend as a first
25 step a consistent and equitable set of piggy-back
26 rates as an integral part of the railway rate structure.

27 A lasting solution to the financial problems
28 of the railways will have to be found sooner or later.
29 Competition is growing, and alternative transport
30 will eventually be available to those diminishing



1 parts of the country which can at present be forced
2 to make up the deficit by horizontal increases. It is
3 our contention that it would be not only in the national
4 interest, but in the interest of the railways themselves
5 to reduce rates in these regions now. For the only
6 lasting hope for their financial problems is through
7 more freight, and the best way to secure this is by
8 fostering the development of new industry. We urge
9 this Commission to look to the future in its recommenda-
10 tions and make proposals which will solve the railways'
11 problems ten years hence, rather than recommend stop
12 gap measures which will soon prove inadequate and
13 necessitate another Royal Commission in a few years
14 time.

15 Now, I would briefly like to sum up and
16 present our major recommendations.

17 The railways were built as an instrument of
18 national policy, and low rates assured to the west
19 to encourage settlement. The growth of competition
20 in central Canada has forced lower competitive rates
21 and agreed charges in that region. As a result the
22 west has been called upon to face increasing rates
23 essentially to subsidize the low rates in the east.
24 Equalization did not solve this problem as it did not
25 apply to the rates on which the bulk of the traffic
26 moves.

27 In recent years the growth of competing
28 transport media in the west has brought lower rates
29 to the region as a whole and done much to close the
30 differential with the eastern rates. It is still



1 true, however, that rates to the west are higher
2 than in central Canada.

3 Saskatoon has not shared the rate reductions
4 in the west because it is as yet poorly served by
5 competing forms of transport. As a result it faces
6 much higher rates than competing cities of the
7 prairies. This is manifestly inequitable and
8 demands immediate correction.

9 High rates in this region are hampering
10 industrial development, and the development of northern
11 Canada as a whole. It is in the national interest
12 that rates here be reduced to encourage future develop-
13 ment and prosperity. Lower rates would also go
14 a long way to solving the financial problems of the
15 railways by encouraging more traffic. The only
16 lasting solution to these problems is more freight,
17 the only way to secure more freight is by encouraging
18 industrial development and the best way to encourage
19 development is by lower freight rates.

20 Any temporary deficit in railway revenues
21 following rate reductions, and before an adequate
22 expansion in traffic takes place, can be met from
23 profits from the nonrail undertakings of the railways
24 which resulted from concessions granted the railways
25 by the people of Canada in exchange for railway
26 construction and operation. Grants of money, land,
27 completed line and tax exemptions were in the nature
28 of a subsidy to meet such deficits as now arise from
29 the obligation of the Company to provide rail services.
30 They must be used as such before any further subsidy is



1 considered.

2 Insofar as these other revenues prove inadequate
3 a temporary subsidy from the national treasury is
4 called for, to be used to secure lower rates to
5 encourage development of new regions of this country
6 just as the existing west was built on a basis of
7 assisted rail rates. The national government
8 should also provide for the construction of a second
9 Trans-Canada Highway on the Yellowhead route so that
10 both rail and highway transport may develop in their
11 respective roles. Under no circumstances should
12 government subsidies be available to enable
13 the railways to compete at a loss with other forms of
14 transport for those movements where the alternative
15 carrier is the more economic.

16 Then, Mr. Chairman, we will make our three
17 major recommendations to the Commission.

18 That the system of rate schedules be
19 critically examined, co-ordinated, simplified and
20 brought up to date, and that the resulting schedules
21 and any subsequent changes in them be subjected to
22 continuous review by the technical advisers of the
23 Board of Transport Commissioners so that inequities
24 and unnecessary complications can be removed at the
25 source.

26 That as part of the simplification of the
27 schedules, and in the interests of equity and the
28 furtherance of the balanced and prosperous development
29 of this country the grouping system at present applied
30 to the "A" and "B" group in Eastern Canada be extended



1 to other areas of the country. In particular we
2 recommend that Regina, Saskatoon and other centres of
3 Northern Saskatchewan be placed in one group with equal
4 rates for all centres in the group to and from all
5 points outside the group.

6 That an attempt be made to consolidate
7 the various rate systems aimed at special or regional
8 problems into a comprehensive national policy, and
9 that this policy be aimed primarily at the future
10 development of the north and west of the country.
11 In particular this will call for a critical examination
12 of the principles of competitive rate making. This
13 will involve:

14 (i) a costing study to determine the remunerative
15 capacity of competitive rates.

16 (ii) a study of the obstacle placed in the way of
17 newly developing regions by the competitive
18 advantages of locations in established centres
19 which have alternative transport media and
20 lower freight rates.

21 Historical Appraisal of the Development of
22 Western Freight Rate Problems: Canada as

23 a nation was modelled in defiance of geography. One
24 look at a physical map of this continent would convince
25 a visitor from Mars that the 49th parallel is a triumph
26 of geometry over wisdom. In fact of course it was
27 the result of historical accident, but to make it a
28 reality and a division between two politically inde-
29 pendent but economically interdependent nations called
30 for an orientation of trade routes which, while politically



1 defensible, can hardly be regarded as an economic
2 optimum. It was to achieve this that the
3 Canadian Pacific railway was built. The region
4 north of the St. Lawrence and Lake Ontario was already
5 economically developed and destined to become the
6 economic centre of the nation. But it was necessary
7 to link this to three other regions; The Maritimes
8 region which already had extensive economic ties with
9 New England, the developing community on the west
10 coast, and the unsettled void that is now the prairie
11 provinces. The Intercolonial railway was built as
12 a bridge to link the Maritimes with central Canada, and
13 thereby change the pattern of trade from the natural
14 commerce with New England to new routes with central
15 Canada. The Pacific railway was built both as a
16 bridge to the coast to ensure that trade routes
17 to and from what is now British Columbia would develop
18 in an east-west pattern with central Canada rather than
19 with the U.S.A., and as a backbone round which the
20 settlement of the prairies would develop.

21 From the political standpoint these two railways
22 and those that have followed have amply justified the
23 foresight of the statesmen who conceived them. But
24 from the economic standpoint they have resulted in
25 trade patterns quite different from those which would
26 have resulted from geography alone. It is from this
27 attempt to reorientate trade from its economic
28 pattern that most of our subsequent difficulties have
29 arisen.

30 The fundamental issues involved in the building



1 of the Pacific railway show remarkable similarities to
2 the building of the Intercolonial railway. At the
3 time of Confederation the Maritime provinces were much
4 more developed economically than the region that is
5 now the western provinces. Consequently a bargain
6 was entered into between central Canada and the
7 Maritimes whereby the latter would throw in their
8 economic and political lot with the Dominion, but in
9 compensation for severance of trade routes with the
10 United States as a result of tariff policy they would
11 be assured access to central Canadian markets. Western
12 Canada was not at that time sufficiently developed
13 to bargain for similar promises, but the impact which
14 the national policy has had on the economy of western
15 Canada has subsequently been every bit as serious as
16 the impact which it had on the Maritimes. The only
17 difference is that in the east established trade routes
18 had to be changed from the economic optimum to the
19 all Canadian routes dictated by national policy,
20 whereas in the west there was little trade established
21 and it was rather a case of future development being
22 orientated as it grew to the sub optimum all Canadian
23 routes.

24 Much has been written on the extent of the
25 reorientation of trade routes as a result of the
26 barrier caused by the 49th parallel. On the one hand
27 is the argument, based entirely on physical geography,
28 that the natural communication routes are north to
29 south and that trade would have developed on a north
30 south pattern. Against this it can be argued that



1 while trade routes north and south would have been easier
2 and cheaper there is very little to trade. The
3 extent of trade between regions is predominantly a
4 function of their dissimilarity in climate, resources and
5 types of product, but the regions lying north and
6 south on either side of the international border are
7 very similar in these respects. Trade would
8 therefore develop between different regions and be
9 in an east and west direction. But what is overlooked
10 in this latter argument is that natural trade routes
11 would not necessarily be due east and west. The
12 natural source of manufactured goods for the prairie
13 provinces would not be eastern Canada, but the industrial
14 region of the United States south of the Great Lakes.
15 This can be seen from the fact that before construction
16 of the trans-continental railway trade from the Red
17 River Settlement was predominantly with St. Paul.
18 Thus while the national policy of the Canadian
19 Government did not reorientate trade from a north-
20 south to an east-west pattern, it did divert the
21 natural routes south-east and south-west from the prairies
22 into routes due east and due west within Canadian
23 territory. And this insistence on trade with the
24 industrial region of central Canada rather than with
25 the more favourably located industrial regions of the
26 United States was achieved only at considerable cost.

27 At the time of construction the railway
28 linking central Canada to British Columbia faced two
29 major natural obstacles, the Laurentian Shield and
30 the Rockies. The Shield could be bridged either



1 by a route through the United States south of the
2 lakes, either as new track or by an agreement to obtain
3 operating rights over existing American railroads,
4 or by a much more expensive all Canadian route through
5 the extremely difficult terrain north of the lakes.
6 The effect of the solution was well summarized in the
7 Submission of the Province of Saskatchewan to the
8 Turgeon Royal Commission.

9 "The decision was taken by 1871 to
10 build an all-Canadian railway despite
11 the incalculably added costs of such a
12 project. The decision was not changed
13 despite various pressures to have it altered.
14 The construction of the Pacific railway to
15 the north of the Great Lakes was dictated
16 by the National Policy and can be justified
17 as in the national interest. The costliness
18 of the construction through those regions
19 accounts to a considerable extent for the
20 fixed charges of Canadian railways and thus
21 enters into railway rates calculations for
22 the Canadian economy. The hundreds of
23 miles of Shield bridged by the Pacific
24 railway remain unremunerative in terms
25 of traffic and thus not only the fixed
26 charges but also the operating costs of the
27 region fall upon traffic which originates
28 or is destined elsewhere."

29 The part played by the railways in the develop-
30 ment of the west, and the parallel between the



1 Pacific railway and the Intercolonial railway is
2 well expressed in the joint submission to the Royal
3 Commission on Transportation on the Crow's Nest Pass
4 rates by the Province of Alberta, Saskatchewan and
5 Manitoba, January 1950.

6 "After Confederation an every-strengthening
7 faith in the possibility of economic expansion
8 in the central plains impelled the Federal
9 Government to undertake important and, in
10 some cases, costly measures which could
11 only be justified if that economic expansion
12 could be attained. Title to the western
13 territories was secured from the Hudson's
14 Bay Company, a land settlement policy was
15 devised, immigration was fostered, and a
16 Pacific railway was built. Finally,
17 protective tariffs were adopted to assure
18 the funnelling of the inward and outward
19 trade of the newly-developing area through
20 the eastern provinces."

21 The costliest of the prerequisite instru-
22 ments of the National Policy were the
23 railways -- one to link the St. Lawrence
24 with the Maritimes, and one to link the St.
25 Lawrence with the Pacific coast. Expediency
26 rather than fundamental principle dictated
27 whether these railways would be built by
28 the state or by private companies substantially
29 financed by state benefactions and guarantees.
30 The Intercolonial railway was built as a



1 government undertaking. The construction
2 of the Pacific railway was attempted both
3 ways and was finally completed by a private
4 syndicate well fortified by government grants
5 of cash, land, completed line, security
6 guarantees, tax exemptions, freedom from
7 rate control and a monopoly clause. Legally
8 the Intercolonial Railway and the Canadian
9 Pacific Railway emerged as distinct and
10 sharply contrasting types of institutions
11 -- the one, state; the other, private.
12 Functionally they began and continued as
13 substantially similar institutions --
14 agencies of the state designed for the further-
15 ance of the National Policy."

16 "The concessions made by the Federal
17 Government to the Canadian Pacific syndicate
18 were adequate to secure the completion of
19 the railway across the Shiled and plains to
20 the Pacific. But the railway,
21 operating under these concessions, did not
22 assure the rapid settlement and economic
23 expansion of the West. The monopoly
24 clause, combined with a practical exemption
25 from rate control, left the Company in a
26 position of security against the threat
27 of competition and with a freedom in the
28 determination of rates and services which
29 was not conducive to agricultural expansion
30 in the western territories. Modifications



1 were imperative in order that the Canadian
2 Pacific Railway might better serve its intended
3 purpose in regard to western economic expansion.
4 The monopoly privilege was the first to go
5 and was withdrawn in 1888. Rates on
6 imports into and exports from the Canadian
7 West remained unsatisfactory to the settlers
8 and acted as a deterrent to western agricultural
9 expansion. In 1897, the newly elected
10 Liberal Government, convinced of the importance
11 of promoting western settlement, seized
12 an opportunity which presented itself at
13 that time to secure a substantial readjustment
14 of western freight rates by agreement with
15 the Canadian Pacific Railway."

16 The fundamental issues of the National Policy
17 which made possible the economic development of the
18 west as part of Canada can now be seen from this brief
19 history. Tariff barriers made certain that the
20 west would not develop with trade connections with the
21 U.S.A., but that was not enough to secure development.
22 Communications were made possible by the building of
23 the railway linking eastern Canada and the prairies.
24 But development of the plains as an economic proposition
25 also called for cheap transport to and from eastern
26 Canada not only for the export of the primary crop,
27 but also for import of the basic commodities without
28 which development would be impossible, but which could
29 not be produced locally. It was only after the
30 institution of the Crow's Nest Pass rates that the west



1 really began rapid expansion.

2 In the 1890's it was recognized that the
3 National Policy of tying the prairies economically to
4 central Canada was achieved only at considerable cost,
5 was in the benefit of the nation as a whole, and
6 as a consequence the nation met part of the costs of
7 the more expensive trade routes by a subsidy to secure
8 lower freight rates on these commodities, bound in
9 both directions to and from central Canada, which were
10 most vital to the developing economy of the prairies
11 as it was then visualized. Today the conditions
12 are still essentially the same except that the
13 concessions on westbound traffic have been lost, and the
14 type of industrial development on which the future of
15 the prairies now depends, far from receiving a national
16 subsidy to compensate it for the high economic cost
17 of being part of Canada, faces the highest freight
18 rates in the nation. We must now examine how
19 this situation has developed.

20 Higher freight rates in the west than in
21 central Canada are not a new phenomenon, but have
22 persisted throughout the evolution of our rate
23 structure. (The history of differentiation and
24 equalization which follows has been summarized from
25 the Submission of the Province of Saskatchewan to the
26 (Turgeon) Royal Commission on Transportation, and a
27 speech by J.S. Carmichael of the Freight Services
28 Division, Government of Saskatchewan, to the Canadian
29 Industrial Traffic League, Regina, April 11, 1959.)
30 A statistical appraisal of the extent of this differential



1 over the years is not available, and would take a
2 great deal of work to determine, but various pronouncements
3 of the Board make it clear that on the whole the
4 west has suffered from higher rates. As far back
5 as 1914 in the Western Freight Rates Cases, (see In re
6 Western Tolls, 17 C.R.C. 123 (1914)), it was admitted
7 that the tolls were higher in western than in eastern
8 Canada, and that prima facie discrimination in such
9 tolls existed. In 1917 a decision of the Board shows
10 them still to be of the same opinion, (see In re Increase
11 in Passenger and Freight Tolls, 22 C.R.C. 49 (1917)
12 at P. 84.), "... it must be borne in mind that,
13 while the rates in the two different sections of the
14 country are much nearer equality since the reductions
15 worked under the Western Rates Case took effect, again,
16 speaking generally, rates in the West are still higher."

17 In 1920 the Board granted a general increase
18 of 40 per cent in eastern freight tolls and 35 per cent in
19 western freight tolls. The Chief Commissioner said,
20 "I am of the opinion that it is justifiable to allow
21 a reasonably less percentage of increase on freight
22 tolls west of Fort William than east thereof." In
23 June 1925 under Order in Council P.C. 886 the Board
24 was directed to make a general investigation of freight
25 rates. The policy of the Government and of the
26 Board was declared to be one" ... of equalization of
27 freight rates ... to the fullest possible extent
28 as being the only means of dealing equitably with all
29 parts of Canada..."

30 While recognizing that the west suffered from



1 higher freight rates than the east the policy of both
2 the Government and the Board over the years has therefore
3 been one of narrowing the differential or completely
4 equalizing rates.

5 In 1948 a further general rate investigation
6 was ordered by P.C. 1487: "With a view to the
7 establishment of a fair and reasonable rates structure
8 which will under substantially similar circumstances
9 and conditions, be equal in its application to all
10 persons and localities so as to permit the freest
11 possible interchange of commodities between
12 the various provinces and territories of Canada and the
13 extension of Canadian trade both foreign and domestic,
14 having due regard to the needs of agriculture
15 and other basic industries."

16 While the Board went ahead with the waybill
17 study, proceedings on the equalization case were held
18 up for the report of the Turgeon Royal Commission. It
19 was not until December of 1952 that the Board made its
20 first judgment. This dealt with class rates and set
21 up tentative proposals and a uniform mileage class
22 rate scale for the whole of Canada to come into effect
23 in January 1954. In recognition of the delay before
24 revised scales could be made effective the Board
25 required the railways to reduce class rates in western
26 Canada by 5 per cent and authorized them to raise
27 eastern class rates by 10 per cent. These rates
28 did not take effect until March 1955, however. The
29 Board then turned its attention to commodity rates and
30 equalized scales for a number of commodities went into



1 effect in January 1958. Not all commodities have
2 equalized rates as yet, however.

3 The numerous regional expedients which had
4 built up over the years and had become firmly ingrained
5 in the rate system made equalization a difficult
6 task. The mixing rule which applied in eastern
7 Canada was extended to apply to western Canada.

8 A new classification had to be devised, and there was
9 the problem of the differential between eastern town
10 tariffs and western distributing class rates, both
11 of which were below the standard rates but the eastern
12 rates lower than the western. Then there was the
13 constructive mileage between Fort William and Winnipeg,
14 and the "A" and "B" grouping in central Canada.
15 The constructive mileage was abandoned but the "A" and
16 "B" grouping retained. The Maritimes had the subsidy
17 under the Maritime Freight Rates Act, the prairies
18 the Crow's Nest Pass rates British Columbia had the
19 trans-continental rates and Alberta the one and one-
20 third rule.

21 Class rate equalization finally encompassed
22 a mileage scale for class rates in all areas west of the
23 Maritime region; a revision of percentage relationships;
24 uniform blocking on a basis of 5 miles up to 60 miles,
25 10 miles up to 100 miles, 25 miles up to 1500 miles and
26 50 miles thereafter.

27 MR. DOHERTY: I would just mention it would
28 be our plan now to have Dr. Winch stand down for
29 cross-examination. Our original thought was that
30 we would have him stand down for cross-examination



1 tomorrow afternoon, and perhaps following the brief
2 of the Saskatchewan Timber Board that it will take
3 us into the afternoon some time.

4 THE CHAIRMAN: I would suggest that you
5 get in touch with counsel to see how long they have
6 had their briefs so that they will have an opportunity
7 for intelligent cross-examination. So, you and
8 Mr. McDonald and Mr. Sinclair might get together,
9 and also Mr. Cooper, and then in the meantime
10 Mr. Winch can stand down.

11 MR. DOHERTY: Yes.

12 MR. SINCLAIR: I wonder before he does
13 that if he wouldn't mind just answering one or two
14 questions for clarification. I am not in any
15 way going to cross-examine, but these are one or
16 two matters that I think would assist me at least
17 in understanding his brief. Particularly I wanted
18 to ask one question as to what he meant by these
19 groups, and how he would fix the rate.

20 THE CHAIRMAN: Well, I think that will
21 probably start something.

22 MR. SINCLAIR: Probably, sir. I am
23 in the hands of the Commission.

24 THE CHAIRMAN: You want to know what he
25 meant by groups?

26 MR. SINCLAIR: No, I would like to ask Dr.
27 Winch how he would make the rate.

28 MR. DOHERTY: I think that Dr. Winch is
29 quite prepared to give whatever assistance he can
30 to the Commission.



1 MR. SINCLAIR: There is no use in looking
2 at a brief that was handed to us last Wednesday, and
3 we have been pretty busy, and then you have someone
4 talking about rate groupings...

5 THE CHAIRMAN: Last Wednesday? You mean
6 Wednesday of this week?

7 MR. SINCLAIR: That is right; that is
8 the first time we ever saw it, and quite frankly, we
9 just have been so busy, as you know, we have had no
10 chance to read it; notwithstanding the fact that
11 the Commission directed that a minimum of two weeks
12 before the witness was called it was to be given ---

13 THE CHAIRMAN: I implored counsel in and
14 off the record to do it, as Mr. Doherty knows.

15 MR. DOHERTY: We have tried to do this.

16 THE CHAIRMAN: I think perhaps, Mr. Sinclair,
17 you had better hold your questions in abeyance, and
18 I think you should see other counsel, and Mr. Cooper
19 can get you together and we will see what we can do
20 with this witness on cross-examination.

21 All right, Mr. Doherty.

22 MR. DOHERTY: Mr. Chairman and Commissioners,
23 we now propose to ask you to consider the brief of the
24 Canadian Co-operative Implements Limited. This
25 brief will be presented by Mr. D. Downing, the vice-
26 president of the Canadian Co-operative Implements Limited.
27 Mr. Downing has been the vice-president of the
28 Canadian Co-operative Implements Limited for the past
29 ten years, and prior to becoming the vice-president of
30 the Canadian Co-operative Implements Limited he was



1 for a period of ten years president of the Saskatchewan
2 Four-H Crop Growers Co-operative Association, and prior
3 to that he was a farmer in northern Saskatchewan.

4 May I now ask Mr. Downing to present the
5 brief from the Canadian Co-operative Implements Limited.

6 THE CHAIRMAN: All right, Mr. Downing.

7 SUBMISSION OF THE CANADIAN
8 CO-OPERATIVE IMPLEMENTS LIMITED

9 Appearance: Mr. D. Downing - Vice-president.

10 MR. DOWNING: Mr. Chairman and members of
11 the Commission, I appear before you on behalf of the
12 Canadian Co-operative Implements Limited. This is
13 an Interprovincial Co-operative with a membership of
14 some 60,000 farmers in the Prairie Provinces and the
15 Peace River Block of British Columbia. In members
16 and in operation they constitute a cross-section of the
17 agricultural industry of Western Canada.

18 Dealing with paragraph (a) in the terms of
19 reference, "inequities in the freight rate structure and
20 their incidence upon the various regions of Canada and
21 the legislative and other changes that can and should
22 be made, in furtherance of national economic policy,
23 to remove or alleviate such inequities." It can
24 be accepted that servicing the agricultural producer
25 in the Western Provinces has been the main source of
26 railway earnings in this area. Farming has been and
27 still is the most important segment of our Western
28 economy. Furthermore the farm population have supplied
29 traffic both as producers and consumers, and both in
30 large volume.



1 I submit that our Prairie Provinces have borne
2 an unjust freight rate burden as compared to other
3 regions of the Dominion. As a region it has certain
4 advantages and certain disadvantages when compared with
5 other areas. Its great advantage, a large area
6 of fertile level land, that can be highly productive.
7 It is however subject to great variation in weather --
8 subject to periods of drought, and a lengthy period
9 when the ground is frozen. Its great disadvantage
10 however is its distance from the market place for its
11 agricultural production and its distance from the source
12 of supply of its requirements of both consumer goods
13 and the large volume of implements needed by the industry.
14 This coupled with the fact that until the recent advent
15 of better highways there was no alternative means of
16 transport, meant that in the West we were always fully
17 aware of the toll taken by transportation.

18 The very nature of the whole Western Agricultural
19 area - a level terrain with few if any natural
20 obstacles -- would lead to the conclusion that trans-
21 portation costs if based on actuality, should be much
22 lower than in other regions. The initial costs for
23 building the road-bed would certainly in the overall
24 picture, be but a fraction of the costs in other areas
25 of Canada. Maintenance -- because of climatic
26 conditions -- a lengthy period when everything is
27 frost bound -- and a short dry summer would lead the
28 layman to believe that maintenance costs are lower than
29 elsewhere. Above all, operating costs should be
30 lower because of the many miles of level terrain that



1 permit the movement of lengthy train loads. Coupled
2 with this is the fact that a very large percentage of
3 freight originating in the West and entering the West
4 is long-haul freight.

5 I submit that the impact of the various
6 freight increases granted in recent years has been
7 far more onerous on the Prairie economy than elsewhere.
8 There was ample proof of this when Bill C 38 was being
9 examined by the standing committee on railways and
10 canals of the House of Commons last year. This was
11 an Act to reduce somewhat the severity on certain
12 regions, of the seventeen per cent increase in class
13 and commodity rates granted the previous year.
14 In discussing this Bill, Mr. L.J. Knowles, a member
15 of the Board of Transport Commissioners stated to the
16 Committee, on April 14th, 1959 that of the \$20,000,000
17 in relief being granted 56.7 per cent would apply to
18 the Western region, 26.5 per cent to the Central
19 region -- that is Ontario and Quebec; and 16.8 per
20 cent to the Maritime region. Conversely of course
21 the freight increase had a proportionate impact on the
22 various regions. Relating this to population it
23 can be readily seen how heavy the per capita freight
24 burden is in the west as compared to the Central Provinces.
25 And how increasingly heavy it has become due to the
26 freight increases granted to the railways since 1948.

27 The railways of Canada are not regional nor
28 were they ever intended to be so. I submit then
29 there should be an equitable sharing of transportation
30 costs by all sections and not as at present the placing



1 of the larger burden on those least able to bear it,
2 and certainly least able to protect themselves from
3 this burden.

4 It may be argued by the railways that the
5 overall tonnage per mile is lower than elsewhere.
6 Who is responsible for this? The railways must
7 themselves accept the blame for it. It was a
8 very simple matter to build a railroad grade on the
9 Prairie, and hence there was a scramble by competing
10 railroads for the franchise to build. There are
11 many examples of this, one of the most glaring
12 being the C.P.R. and C.N.R. lines between Saskatoon and
13 Unity. These are only one or two miles apart most
14 of the way and nowhere more than six miles apart.
15 Do the railways contend that because a serious business
16 error was made by them some years ago, the burden of
17 this error must for all time be borne by innocent parties.
18 Surely this Commission will not accept that argument of
19 the rail companies, and will suggest they put their
20 houses in order before coming to ask for subsidies.

21 Inasmuch however, as the railways were
22 entirely responsible for this duplication of service,
23 and inasmuch as settlement and investment in the various
24 towns resulted from the belief that the various rail
25 services were permanent, I feel the railways should be
26 responsible for two things. First the provision of
27 alternative service where any is being reduced; and
28 secondly, that any change in the type of service should
29 not be proceeded with, without adequate advance
30 notice.



1 One other very important reason why freight
2 costs should be lower in the West is the assistance
3 given to the Canadian Pacific Railway by the Dominion
4 Government. It may be argued that when this assistance
5 was given Western settlement was very limited, and the
6 returns on the outlay not too bright. This latter
7 was however proved to be quite a short-sighted view,
8 as the free lands of the West attracted settlers by
9 the thousands, and it can be stated with some just-
10 ification that in the early part of this century, railway
11 returns were very good. It can also be said that
12 these were the decades when the Canadian Pacific Railway
13 became the huge transportation concern that it is
14 today.

15 ~~In line with~~ In line with paragraph "D" of the terms
16 of reference I would recommend that the Commission make
17 an exhaustive study of the source of funds that
18 assisted in this substantial growth of the Canadian
19 Pacific Railway in the early years of this century.
20 This study should establish in some measure the
21 contribution made to this growth from the realization
22 of the tangible assets given by Canada to the C.P.R.
23 for the building of their mainline. It should also
24 establish in some measure what there-investment of the
25 proceeds from the sale of lands and minerals contributed
26 to the development of other subsidiary interests of
27 the Company.

28 In referring to the assistance given to the
29 C.P.R. it should be recalled that apart from the
30 outright gift of \$25,000,000.00 and the grant of



1 25,000,000 acres of Western fertile land with mineral
2 rights, the railway was given a section of the line built
3 by the Dominion that had an estimated value of
4 \$37,000,000.00.

5 The Commission is further charged with
6 enquiring into "the possibilities of achieving more
7 economical and efficient railway transportation."

8 The railways looked for the easy way to
9 maintain revenue, to find there is no easy way.
10 The substantial freight rate increases of the past
11 decade have not brought the desired result. On the
12 contrary the law of diminishing returns has come into
13 play. A still larger percentage of freight has
14 moved other than by rail. Not only that, but
15 the continued increase in freight costs has tended to
16 a reduction in the numbers of those engaged in primary
17 production, and who are limited to rail transport for
18 the movement of their product.

19 Further increases, which can actually
20 apply only to those who have no alternative means of
21 transport, is no solution. I submit that the
22 problem demands a major change in operations. It may
23 even demand a major surgical operation.

24 As pointed out in a previous paragraph the
25 low cost of grade construction in the West has caused
26 considerable duplication of railroad service. Much
27 could be done between the two major railroads in
28 co-ordinating rail services and thereby reducing
29 costs. I suggest that this co-ordination of
30 services would go some way in alleviating the condition



1 in which the railways find themselves, and is one
2 method that should be explored and acted on to the
3 fullest, before any further subsidy or freight increase
4 is granted.

5 In the past decade we have witnessed a
6 considerable change in transport method, both freight
7 and passenger. I submit that railway management
8 have failed to appreciate the significance of this
9 changing scene. We should be concerned now with the
10 future. Will not the decades of the sixties and
11 seventies see an increasing percentage of passenger
12 and freight, moving by new and faster methods. This
13 I feel is almost a certainty. The railways are
14 essential for the movement of certain bulk products.
15 Despite what the railways may do toward co-ordinating
16 rail service (and it would be of considerable benefit),
17 I advance the view that with new methods of transport
18 becoming of increasing significance, a declining
19 percentage of traffic will go by rail, and the railway
20 problem will become still more acute. Neither increased
21 rates or governmental subsidies will provide a solution.
22 Increased rates will only make the situation worse.
23 It will diminish traffic and strangle expansion of our
24 Prairie economy. It is only by increased trade both
25 inward and outward that our Western economy can expand.
26 Transportation costs are deciding factors as to whether our
27 primary products can be competitive in the outside market.

28 Government subsidies may be warranted to meet
29 a particular situation and in particular where it serves
30 a national interest. To place too much dependance on



1 subsidies to maintain rail transport in an era of
2 world-wide transport changes, would be economically
3 unsound and finally prove so costly as to be a burden
4 that would restrict the whole economy.

5 The problem is here and calls for solution.
6 What then may be done? I am suggesting that
7 eventually we must face the fact that in order to
8 maintain our position in a fast changing world, all
9 types of transportation must be closely integrated
10 and under one control. I am further suggesting that
11 it is definitely in the interest of all, that this
12 Commission should visit countries where complete or
13 partially integrated transport is in effect, and make
14 a close study of it, and as to how it could apply in
15 Canada. This suggestion is based on the view that
16 in the increasingly competitive conditions between
17 nations and blocks that will prevail in the future,
18 economy in production and transportation, will be a
19 major factor in the maintenance of relatively high
20 living standards.

21 Many of the arguments being presented have
22 reference to the Crow's Nest Pass Agreement. Why
23 Western Governments and Western organizations, both
24 rural and urban, accepted with so little protest or
25 so little demand for redress, the emasculation of this
26 Agreement in 1925 has always been surprising to me.
27 It must spring from a lack of understanding of the
28 basic need and basic intent of the Agreement.

29 The building of the mainline of Canadian
30 Pacific Railway was part of a National Policy. It



1 was felt that bands of steel from coast to coast were
2 essential to keep a united Dominion. Following
3 the building of the railway the next great need was
4 to bring settlement and development to the vast
5 agricultural resources of the area. It must be
6 pointed out that toward the end of the last century
7 there was still considerable controversy and much
8 scepticism as to the possibility of any worthwhile
9 agriculture being developed on the Prairies. The
10 Governments of the day were anxious to promote
11 settlement and were willing to assist in overcoming
12 the hazards and handicaps of the area.

13 It was well understood that one great
14 handicap was the remoteness from market for its
15 products and its distance from the source of supply of
16 its needs. So, while ostensibly the building of
17 the Crow's Nest Pass railway was to prevent the traffic
18 of mineral and coal development of the Nelson area,
19 from going to its destination via American railroads,
20 all the provisions of the agreement on the one side
21 were to assist agriculture. It was therefore a
22 continuation of National Policy aimed at Western
23 development.

24 I am not going into detail as to the various
25 steps by which the Agreement was altered. I will deal
26 only with one point. It has been suggested that the
27 application of the terms of the agreement as they
28 apply to grain and flour moving to Fort William, to
29 all railway points in Western Canada was a concession
30 of greater benefit to the West than the removal from



1 low freight benefit of various commodities moving to
2 the West.

3 The Agreement itself refutes this argument.
4 It states in paragraph (11); "There shall be a reduction
5 in the Company's present rates and tolls on grain
6 and flour from all points on its mainline, branches
7 or connections, west of Fort William to Fort William
8 and Port Arthur and all points East, of three cents
9 per hundred pounds etc." It states definitely
10 mainline, branches or connections. It applied
11 to all railways then in operation west of Fort
12 William. Surely it must be agreed that any branches
13 built thereafter would come under the Agreement.
14 There is no question but that was the intent of the
15 Agreement and this was never questioned for some twenty
16 years. However to show more definitely what the
17 intent was we may quote from paragraph ten. This
18 deals with the reduction of rates on commodities moving
19 into the West. It states the reduction shall apply
20 "on the Company's railway, to all points west of Fort
21 William on the Company's mainline, or on any line of
22 railway throughout Canada owned or leased by, or operated
23 on account of the Company, whether the shipment is by
24 all rail line, or by lake and rail, etc." This
25 surely proves the intent of the agreement.

26 What of railways other than the C.P.R.?
27 This Agreement with its definite rates set in perpetuity,
28 was well known and the new roads being built in the
29 West knew they must compete with the C.P.R. It would
30 be difficult to believe that roads other than the



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4 C.P.R. felt they would not have to abide by the rates
5 set by the agreement. As a business that called
6 for heavy investment those responsible must have
7 known they must accept the position of meeting all
8 competitive rates.

9 The actual background of this Agreement
10 then was to protect western agriculture or to put
11 it more clearly to assist it to overcome its one
12 great disadvantage of remoteness. It provided
13 that no higher rates than those set out in the
14 agreement should be hereafter charged on the com-
15 modities mentioned.

16 The alteration of the terms of the
17 agreement coincided with a period of relative
18 prosperity in Western Agriculture. And then
19 the West lost sight of what had taken place.
20 Time aided in forgetfulness. I hope this
21 airing of the whole matter will show what has
22 taken place, and will lead to a restoration in
23 its entirety of this Magna Carta of Prairie
24 Agriculture.
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4 Western agriculture has been for a
5 number of years now in a position of relatively
6 low income. This negation of some of its rights
7 under the Crow's Nest Pass Agreement contributed
8 in a measure to the cost position of what is re-
9 ferred to as the cost price squeeze. In one
10 commodity alone -- farm machinery -- the savings
11 to western farmers if the provisions of the Crow's
12 Nest Pas Agreement had been in effect would have
13 been in millions of dollars. Why there has not
14 been a loud and insistent demand from all western
15 governments, farm organizations and other bodies,
16 for a restoration of all the agreement provisions
17 is hard to understand.

18 I respectfully suggest to the Commission
19 that careful consideration be given to both the
20 need and the right of restoration. Western agri-
21 culture needs it. The whole historic background
22 shows that settlement and development was predicated
23 on it. I suggest therefore the Commission should
24 recommend its restoration.
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1 THE CHAIRMAN: Thank you, Mr. Downing.
2 Mr. Cooper?

3 MR. COOPER: Mr. Downing, there are two
4 points which I would ask you to give, perhaps, some
5 clarification on in your submission, and I should
6 like -- would you excuse me a moment.

7 THE CHAIRMAN: I think we will try to
8 clean up the cross-examination of Mr. Downing, and
9 then adjourn until tomorrow morning.

10 MR. SINCLAIR: I do want to bring your
11 attention again to the fact that when these briefs
12 don't reach us it means, as far as I am concerned,
13 about three hours for every hour that is put in here;
14 three hours outside for every hour that is put in
15 in sitting, and that the days are not long enough for
16 us to keep up with these briefs when they are not
17 filed in accordance with the directions of the
18 Commission, and I would therefore like to say to you,
19 sir, that there was an understanding with everybody
20 that when the railways' material was to be presented
21 that it be presented at least one month in advance of
22 the date when the sittings commenced. This was
23 done, and I further would like to point out that it
24 may well be that it is perhaps not of assistance
25 to the Commission, and it may be that they don't want
26 to have ---

27 THE CHAIRMAN: We are very anxious to have
28 the whole ground covered.

29 MR. SINCLAIR: That is what I thought.

30 THE CHAIRMAN: We are very, very anxious,



1 and we are very embarrassed as a Commission after the
2 directions which were given and the efforts which were
3 made to get the briefs in on time. You know that
4 we have put it on the record and off the record.

5 MR. SINCLAIR: There is one other way
6 of making certain that the directions of the Commission
7 are carried out, and that is refuse to receive them
8 when they don't comply with the directions of the
9 Commission.

10 THE CHAIRMAN: Well, there was no objection
11 taken when the witness took the stand, of course.

12 MR. SINCLAIR: But of course the objection
13 has been made by the railways and by others; not just
14 by the railways, but by all counsel, as far as I know.

15 THE CHAIRMAN: Well, this brief is not
16 very long, Mr. Sinclair.

17 MR. SINCLAIR: Very well. Once again
18 I will bow to the wishes of the Commission.

19 THE CHAIRMAN: You can stand down, Mr.
20 Downing. If you wish it that way, would that be of
21 any assistance?

22 MR. SINCLAIR: Certainly. All I say
23 is that it has been my experience with being in these
24 proceedings for some years that four hours of
25 intensive effort inside this courtroom is sufficient.

26 THE CHAIRMAN: I have made complaints
27 myself at times, as you will remember.

28 So, I think, Mr. Downing, you had better
29 stand down until tomorrow morning, and I think we had
30 better adjourn now until tomorrow morning at 9.30.



1 MR. DOHERTY: I was going to say after
2 this particular brief that I believe this was in
3 Montreal about the end of January.

4 THE WITNESS: I sent it over three weeks
5 ago.

6 MR. MAURO: We received ours on February the
7 2nd.

8 MR. DOHERTY: I just wanted to put that
9 on the record.

10 MR. SINCLAIR: I received it on Thursday
11 before I got on the aeroplane.

12 THE CHAIRMAN: Perhaps we had better
13 adjourn until tomorrow morning at 9.30.

14 MR. HUME: Before you adjourn, in lieu
15 of what we have said and in view of the remarks that
16 I made to this Commission in Quebec City, I would
17 like to point out that so far as I am aware we only
18 have one brief from the Province of Alberta. I
19 realize that Mr. Frawley is not here, but would there
20 be some way, with the weekend intervening, to find
21 out what is coming so that we will not run into this
22 again when we go to Edmonton, because it will be
23 a cumulative problem.

24 THE CHAIRMAN: I think you know more than
25 we do about it.

26 MR. HUME: That may be, I don't know.
27 I was just assuming that you might have some notice
28 as to what may be going on.

29 THE CHAIRMAN: Have we more than one
30 notice?



1 MAJOR LAFRANCE: I can only give a list;
2 we have only the briefs for the Commission.

3 THE CHAIRMAN: We will adjourn until
4 9.30 tomorrow morning.

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6 ---Whereupon the hearing adjourned at 4:00 p.m.

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16 (Volume 34 -- Page 5250 follows)

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held
in the Y. M. C. A. Building,
Regina, Saskatchewan, on the
13th day of February, 1960.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. A. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.	
Mr. G. S. Cumming	
Mr. H. W. Ellicott	Adviser

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary



Regina, Saskatchewan,
Saturday,
February 13, 1960

---On resuming at 9.30 a.m.

THE CHAIRMAN: Order, please. Mr. Doherty?

MR. DOHERTY: Thank you, Mr. Chairman.

Before commencing, may I read into the record an answer to a question asked of the Honourable Mr. Nollet yesterday having to do with the provincial budget and provincial population.

The provincial budget on revenue account in 1947-48 is \$49,098,193. In 1958-59, \$132,172,834. The provincial population, 1948, 838,000; 1959, 902,000.

Before calling Mr. Downing, Mr. Chairman, for cross-examination, may I indicate an arrangement whereby Dr. Winch, the witness for the Saskatoon Board of Trade in the city of Saskatoon, arrangements have been made for him to go to Ottawa to be cross-examined at the sittings there commencing on March 21. Counsel have been advised of this arrangement, and I understand it is a satisfactory arrangement to all concerned.

THE CHAIRMAN: The 23rd of March, I think.

MR. DOHERTY: Yes, thank you, Mr. Chairman.
March 23rd.

THE CHAIRMAN: Well, thank you, Mr. Doherty. We are sorry that we have had to rule this way in respect to Dr. Winch, but the situation is that we have directed that briefs be delivered promptly, not out of whim or caprice, but so that the Commission may be



1 helped. And a submission as important as Dr. Winch's
2 and packed with so much information as Dr. Winch's must
3 have scrutiny both from the opposing side and from the
4 Commission's side. And I may say this to those who
5 are here, that we have had a great deal of difficulty,
6 as a Commission, getting as adviser for the Commission
7 on rates a man who is absolutely independent. When we
8 tried to get such a man, we found it was difficult because
9 either he was employed with industry and might have an
10 axe to grind or else he had been fired by the railways,
11 and in either instance we didn't want him. But we
12 were very fortunate to get Mr. Harry Ellicott loaned
13 to us by the Board of Transport, who has the full con-
14 fidence of all concerned, and we are very anxious that
15 he, too, should look at all those briefs and be able
16 to advise us on them before they are presented.

17
18 I think this arrangement will work out very
19 satisfactorily, and we were glad to have Dr. Winch agree
20 to our ruling that he should come to Ottawa. The
21 railways certainly must have the right to defend their
22 tariffs. Then, in this particular brief there is one
23 gentleman absent who might be concerned with it, and
24 that is Mr. Frawley. And I think it is most important
25 that we have our dear friend Mr. Frawley present when
26 the brief is finally considered in cross-examination.

27 However, in ruling that we would not go on
28 with the cross-examination of Dr. Winch we have ruled
29 that Mr. Downing will be cross-examined this morning.
30



1 D. DOWNING, recalled

2
3 CROSS-EXAMINATION BY MR. COOPER:

4 Q. Mr. Downing, you are vice-president of
5 the Canadian Cooperative Implements Limited. Would
6 you please outline briefly to the Commission the
7 nature of the business carried on by this Cooperative?

8 A. That Cooperative was organized by the
9 farmers of the three prairie provinces to provide their
10 machinery requirements at cost, and they handle only
11 farm machinery. They have a factory of their own at
12 Winnipeg, where they produce, manufacture the tillage
13 machinery needed, and the larger implements they get
14 from the Cockshutt Farm Equipment Company of Brandon.

15 Q. How long has the company been in business?

16 A. It was incorporated in 1940, but did
17 not go into business until 1946 because of the war years
18 and the resulting aftermath of getting material.

19 Q. What farm implements actually are
20 manufactured in Winnipeg, Mr. Downing?

21 A. Practically a complete line of tillage
22 machinery.

23 Q. Now, I refer to your submission, Mr.
24 Downing, and to the bottom of page 1 and top of page 2,
25 where you say:

26 "This coupled with the fact that until the
27 recent advent of better highways there was no
28 alternative means of transport, meant that in
29 the West we were always fully aware of the toll
30 taken by transportation."



1 Now, I gather from that that there has been a develop-
2 ment here by reason of better highways in truck transport;
3 is that correct?

4 A. Some such development, yes.

5 Q. Has it been a significant development,
6 or are your members still primarily dependent on the
7 railways, or what is the situation?

8 A. It has been significant in this way,
9 that it has taken a lot of the short-haul business
10 from the railways, and it may have, while giving some
11 immediate benefits to the West, it may have in the long
12 run been responsible for the consistently higher
13 tariffs that we are being subjected to.

14 Q. When you say "short haul", what distances?

15 A. Well, now, I wouldn't want to specify
16 the distance, but there is quite a bit of trucking down
17 from Winnipeg to Regina.

18 Q. How do you move your manufactured pro-
19 ducts -- the products you manufacture in Winnipeg --
20 into Regina?

21 A. By rail. As much as possible by rail.

22 Q. Is there any truck movement?

23 A. There is some truck movement to outlying
24 points, particularly -- like, we have depots at a
25 point like Waverly, where it is much more economical
26 to bring them down by truck than by rail.

27 Q. May I refer you, Mr. Downing, to
28 paragraph 13 of your submission where you state, and
29 I am quoting:
30



1 "Not only that, but the continued increase
2 in freight cost has tended to a reduction in the
3 numbers of those engaged in primary production,
4 and who are limited to rail transport for the
5 movement of their product."

6
7 Do I understand from that that there has been a reduc-
8 tion in the province of the numbers of those engaged
9 in the primary industries?

10 A. Certainly in agriculture, yes. And I
11 would say that the development of the pulp industry
12 in the north has been stymied because of the fact that
13 rail rates to the outside market would be unfavourable
14 compared with other regions.

15 Q. Well, it be, Mr. Downing, that the
16 decrease in the numbers engaged in agriculture is due
17 to larger farm units?

18 A. That is possibly part of the factor, yes.

19 Q. So, reduction in numbers of those en-
20 gaged in agriculture would not be entirely due to in-
21 crease in freight costs -- that would only be perhaps
22 one factor?

23 A. Yes. It is pretty difficult, you know,
24 to draw a line as to what ---

25 Q. In paragraph 14, you state:

26 "Further increases, which can actually
27 apply only to those who have no alternative
28 means of transport, is no solution. I submit
29 that the problem demands a major change in
30 operation. It may even demand a major surgical



1 " operation."

2 Now, the Commission, I am sure, is looking
3 for suggestions or solutions to problems with which
4 they will be faced, and when you mention the possibility
5 of even a major surgical operation, I wondered if you
6 could expand that at all and indicate what type of
7 operation you have in mind to be performed by the
8 members of the Commission?

9 A. Yes, sir. I think I did expand on it
10 a little later on, when I said that there may have to
11 be complete integration of all transport, and I suggested
12 the Commission make a study of it. It could be a
13 major surgical operation, if you left out one manage-
14 ment completely and had the entire rail system and
15 maybe the entire trucking system under one management.

16 Q. Well, your major surgical operation, or
17 the paragraph I have read, refers, then, entirely or
18 chiefly to your suggestion later on in paragraph 18 of
19 your submission that all types of transportation must
20 be closely integrated and under one control?

21 A. Yes, and notice I say "it may even
22 demand . . ."

23 Q. Yes, quite, Mr. Downing.

24 Now, in paragraph 15:

25 "Much could be done between the two major
26 railroads in coordinating rail services and
27 thereby reducing costs."

28 Now, have you any suggestions, Mr. Downing, or perhaps
29 I could even go a little further than that and say any
30



1 specific suggestions as to the coordination of these
2 rail services in situations which you know of?

3 A. What paragraphs have you got there now,
4 sir?

5 Q. Paragraph 15, Mr. Downing, on page 4.

6 A. Yes, I think I could. I could do it a
7 little better if I had a railroad map here. I am a
8 little bit worried that you cannot have that coordina-
9 tion where you have two competing railroads trying to
10 draw traffic from a limited area and travelling side
11 by side, or almost side by side, because there is only
12 a certain amount of traffic that can be moved in or
13 moved out to meet the requirements of that particular
14 segment. That is dealing, now, where lines are
15 running parallel and very close together.

16 (Map produced to witness).

17 THE WITNESS: Thank you, sir.

18 Now, I do not pretend to be a rail expert,
19 but I presume, as a man on the street who may see things,
20 I have a right, sir, to make some suggestions.

21 THE CHAIRMAN: Well, not only that, but so
22 far as the Commission is concerned, we do not want only
23 complaints and diagnoses, but we want cures.

24 THE WITNESS: Thank you, Mr. Chairman. I
25 may make them.

26 Now, I have a certain knowledge of the pro-
27 vince, In 1924 the Canadian National Railways built
28 a line of railway from Prince Albert to Paddockwood,
29 some 24.7 miles, I think. The Chairman knows the area.
30



1 THE CHAIRMAN: I met you first up there, Mr.
2 Downing.

3 THE WITNESS: In 1930, the Canadian Pacific
4 came out on that line within approximately six miles of
5 Paddockwood and then turned east on Nipawin. The
6 service given there is that the Canadian National goes
7 out on Saturday morning and turns around and goes back
8 in -- maybe picks up a car of grain. Canadian Pacific
9 goes three times a week to Nipawin. It seems to me, sir,
10 that they should be the one line, and that there would
11 be better service all round and less cost involved.

12 Now, I may be ---

13 THE CHAIRMAN: You made a suggestion.

14 THE WITNESS: I am making my suggestion.

15 Now, I will take another line, again out of
16 Prince Albert.. I am more familiar with the north.

17 Years ago, the Canadian National built a line
18 to Big River.

19 MR. COOPER: Yes, I see that, Mr. Downing.

20 THE WITNESS: Very many years later, the
21 Canadian Pacific went out sixty miles on that line --
22 sixty miles -- in which they gave no service, and then
23 turned on to Meadow Lake.

24 I think, too, sir, that there is a case where
25 that should be one complete swing. Big River is not
26 too far. They turned off at Debden.

27 MR. COOPER: Q. Those lines parallel each
28 other from Prince Albert to Debden?

29 A. No, they travel on the same line, sir.
30



1 Now, I haven't made a study of these, but I think there
2 are a lot of areas, sir, where there could be some
3 clear coordination of service.
4

5 Q. Are there any other suggestions of the
6 nature you have been giving which you now can give?

7 A. No, I haven't made a study of rail ser-
8 vice.

9 Q. Now, Mr. Downing, I refer to paragraph 18
10 on page 5, where you mention your suggestion, and I
11 will quote now:

12 "I am suggesting that eventually we must
13 face the fact that in order to maintain our
14 position in a fast-changing world, all types
15 of transportation must be closely integrated
16 and under one control."

17 What kind of body did you have in mind when you were
18 suggesting one control, or did you have a regulatory,
19 overall supreme body controlling the railways in mind,
20 or what?

21 A. I think when I followed on and elabora-
22 ting on that I suggested that it would be up to this
23 Commission to decide what would be the most efficient
24 and economical type of transport for all Canada.
25 With the limited knowledge I have I would not venture
26 to offer a suggestion as to what type of control.

27 Q. I take it from what you have said,
28 though, that a type of control would concern itself
29 not only with railways but with all other types of
30 transportation?



1 A. I have suggested that that may be the
2 most efficient and economical transport method in our
3 country.

4 THE CHAIRMAN: But you do not expect us to
5 do miracles?

6 THE WITNESS: No, sir.

7 THE CHAIRMAN: We are just common ordinary
8 men.

9 THE WITNESS: You gentlemen have my sympathy
10 in the difficult task that lies before you.
11
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1
2 CROSS-EXAMINATION BY MR., HUME:

3 Q. Mr. Downing, arising out of the answer
4 that you gave to my friend Mr. Cooper, and so that I
5 may identify myself to you, I am representing the
6 Canadian Trucking Association, and at paragraph 18
7 of your brief you say:

8 "... all types of transportation must be
9 closely integrated and under one control."

10 Are you referring there, Mr. Downing, only to the
11 "for-hire" type of transportation, or are you including
12 the privately owned intercity truck?

13 A. I am leaving that to the Commission.
14 My own view is that the intercity trucking, to some
15 extent, may be complementary to the railway.

16 Q. So that if the X Manufacturing Company
17 Limited in Regina bought a fleet of trucks to move
18 its own goods from Regina to Saskatoon, you would
19 put that under the same control?

20 A. I am not saying I would do it; I am
21 suggesting to the Commission that they should study
22 that.

23 Q. Oh, I am sorry, what I thought you said
24 was, "I", and I presumed you meant your company, not
25 yourself; is that correct?

26 A. Yes.

27 Q. Your company is suggesting that eventual-
28 ly we must face the fact that in order to maintain our
29 position in a fast-changing world, all types of trans-
30 portation must be closely integrated and under one



1 control. I thought you were suggesting that this is
2 the way to achieve this suggestion of yours of economical
3 transportation?
4

5 A. Even if this particular X Company you
6 referred to had their own fleet of trucks, it could
7 still be integrated into the overall transport, I would
8 think.

9 Q. What you are suggesting is that this
10 body which you are suggesting may be necessary, would
11 not only regulate railways and air lines and pipe lines,
12 but would also regulate the privately-owned truck
13 moving the owner's goods from city to city; do I under-
14 stand you correctly?

15 A. Yes, and it may be that we go further than
16 that.

17 Q. What about passenger traffic; would you
18 have some sort of a body regulate the privately-owned
19 motor vehicle moving the owner from city to city?

20 A. No, that is not contemplated at all.

21 Q. Your idea merely is that all forms of
22 transportation, private or public, moving goods from
23 city to city would be under some sort of central control?

24 A. I am interested, sir, in the most efficient
25 and economical type of transportation for the movement of
26 all goods encountered, and all passenger traffic as
27 well, but when you are moving your own and not paying a
28 toll on it, I doubt if even under any law we have got --
29 and I haven't knowledge of this -- that you could prevent
30 a man moving his own products, but I will leave that to



1 our legal friends.

2 Q. So, you are now -- as I understand you
3 -- you are now suggesting to me that it would be, if I
4 may put it to you this way, it would take a pretty
5 drastic law that would require a man to move his own
6 goods in his own truck under some sort of regulatory
7 control that would be integrated with the total trans-
8 portation problem?

9 A. It probably would.

10 Q. Are you suggesting that such a thing is
11 a good idea?

12 A. I am suggesting this, sir, that I am
13 not unmindful of the fact that we must have the railways
14 to move certain bulk commodities, and that it may be
15 necessary to have certain complementary trucking busi-
16 ness by the roads by those in charge of the railroads
17 in order to maintain reasonable transportation. I
18 am not interested in who gets what share of the meat
19 off the bone, as far as the trucks or the railroads
20 are concerned, but I am interested in seeing that we
21 have a railroad system that will haul the quantities
22 that the truck cannot possibly haul, and be in a
23 position to do so economically.

24 THE CHAIRMAN: You want the farmer served,
25 you want service for the farmer?

26 THE WITNESS: Correct.

27 THE CHAIRMAN: That is your submission?

28 THE WITNESS: Yes, and in the most economical
29 way.
30



1 THE CHAIRMAN: That goes without saying.

2 MR. HUME: Q. Just so that I may understand
3 you, and maybe this will be of some assistance to the
4 Commission, would you agree that over the last ten years
5 that the competitive truck transportation has lowered
6 freight rates to the western consumer by reason of
7 competitive rates and agreed charges that the railways
8 have put in to meet that competition?
9

10 A. It could be a debatable question because
11 the railroads have increased their rates in the last
12 ten years by about 140 per cent; not all rates, but a
13 substantial portion of our western rates. Now, would
14 they have to do that if a considerable portion of the
15 business had not been taken by other transportation
16 methods. There is nothing quite black or quite white;
17 there is a little grey in there and I am not in a
18 position to say.

19 Q. Take your own automobile; as I am informed,
20 the freight rates on automobiles were at a certain level,
21 and that with the advent of truck transportation on
22 automobiles it resulted in an immediate competitive rate
23 to meet that traffic, which was in the railroads' inter-
24 ests, and it has now resulted in an agreed charge so
25 that the freight rate on automobiles is considerably
26 less than the original class rate before any horizontal
27 increases were applied; do you know about that?

28 A. Yes, but some other shipper has to
29 pay additional charges in order to keep the railways
30 in operation.



1 Q. Do I take it from your thesis, then,
2 that if the internal combustion engine had never been
3 put on a wagon, the railways would have been a lot
4 better off today?

5 A. Oh, no, I wouldn't say that.

6 Q. Do I understand you correctly that it
7 would be better for you and your people if the railways
8 didn't have to meet truck competition at all; is that
9 what you are saying?
10

11 A. I will not say it would be better. I
12 am not prepared to say what would have happened if the
13 trucks had not come in. I will say this, that I would
14 take issue with the railroads for not entering the
15 trucking business on a larger scale as being comple-
16 mentary to the rail transportation.

17 Q. They are into it on a pretty big scale
18 in Western Canada now, are they not?

19 A. Not percentagewise.

20 Q. Not percentagewise?

21 A. No, not to my knowledge. My observation
22 is limited, of course, but it is visual observation and
23 my sight isn't as good as it used to be.

24 Q. You are being very helpful, and may I
25 summarize what you have been telling me, that what you
26 are suggesting may be necessary is a complete, one com-
27 plete control over all kinds of trucking and railways
28 and pipe lines and air freight, so that their rates may
29 not be raised unduly?

30 A. I didn't bring the pipe lines in there;



1 maybe they should, I didn't think of that.

2 Q. That is a form of transportation?

3 A. It is.

4 Q. And it is controlled now, isn't it?

5 A. I understand there is some control.

6 Q. And, as a matter of fact, in this pro-
7 vince the trucking rates are controlled?

8 A. Yes.

9 Q. So, have I stated your position as I
10 understand it to be, or have I ---

11 A. And that they be integrated into the one
12 transport system.

13 Q. So that it is sort of socialized trans-
14 portation in Canada?

15 A. That may be necessary.

16 Q. Thank you very much.

17
18 CROSS-EXAMINATION BY MR. DICKSON:

19 Q. Mr. Downing, just to carry it one step
20 further the last line that I thought Mr. Hume was ad-
21 vancing when you mentioned integration; Mr. Hume suggested
22 the word "socialized", which I would take to mean under
23 the state. Would you also recognize the possibility,
24 say, of the Canadian Pacific Railway acquiring the
25 Canadian National?

26 A. I never thought of it along that line.
27 It might be.

28 Q. Would you support that if you felt ---

29 A. I would have to have quite a lot of infor-
30 mation on what was involved in the deal, as to whether



1 there was to be stipulated rates and very close controls,
2 before I could base an opinion. It is a hypothetical
3 question, you know, and a rather difficult one.

4 Q. At the moment you are thinking in terms
5 of nationalization of the Canadian Pacific Railway?

6 A. Yes. I suggested that the Commission
7 should study to see how this could be applied in Canada,
8 if it could be applied.

9 Q. Is your organization advocating at this
10 moment nationalization of the Canadian Pacific?

11 A. We don't enter into that at all. We have
12 a business to do, and when a subject like this comes up
13 the board suggested to me that I present the brief, and
14 they know the contents of the brief and they don't know
15 the answers which I give to all the questions; that is
16 impossible.

17 Q. Is this brief circulated among your
18 members?

19 A. Oh, no, no.

20 Q. It is a personal opinion on what you feel?

21 A. The actual answers I give here must be a
22 personal opinion, sir.

23 Q. You are speaking for Mr. Downing rather than
24 for the members?

25 A. For this submission I speak for the
26 Canadian Cooperative Implements Limited.

27 Q. But if your members don't know what you are
28 saying, by virtue of this are you committing them to ---
29

30 A. You understand that there are sixty



1 thousand members concentrated between the Red River and
2 the Peace River, and that you couldn't get that sixty
3 thousand to decide what they required, so it goes to
4 the board. I think that is democratic.

5 Q. When you say all types of transportation,
6 you contemplate the possibility of not only rail, truck,
7 but also of water, pipe line and air being not only
8 integrated but controlled by one source of super author-
9 ity?
10

11 A. I suggested that this Commission should
12 make a study of that in view of the fact that the
13 position of the roads, of the railroads, have not im-
14 proved even though they have been constantly getting
15 tariff increases, and now they are looking for a subsidy,
16 and even while doing that there is also, I think, an
17 application for a further increase in the tariffs, so
18 I mean the position is pretty serious and the reason
19 the Commission is here is because the situation is
20 serious, and I think I was justified in suggesting that
21 all avenues should be explored to find a solution.

22 Q. You mention in the same paragraph that
23 there are countries where there is such complete
24 integration; what countries would you have in mind?

25 A. It is my understanding that Great Britain
26 has complete integration on road and rail. It is my
27 understanding also that Ireland has.

28 Q. Is road transport integrated in Britain?

29 A. That is the information I have got.

30 Q. I think that might bear some looking into.



1 A. That may be.

2 Q. Our advice is that it is not integrated.

3 MR. HUME: I think it would be helpful if
4 I stated at this time that the instructions I have with
5 respect to that is at one time there was an attempt
6 to integrate rail and road, and Mr. Downing is correct,
7 but that due to either a change of government or a
8 change of heart, the road transport part of the inte-
9 gration was taken over and was resold back, and now
10 that part is an independent transportation agency as
11 it is in Canada.
12

13 THE WITNESS: The road transport is state-
14 owned, not private?

15 MR. HUME: You don't understand me. They
16 started that way but they have reversed themselves,
17 and it is now privately owned as it is here, although
18 the railroads had no truck lines in Great Britain as
19 they had here.

20 MR. DICKSON: Q. At the top of page 6,
21 Mr. Downing, getting back to our friend the Crow's
22 Nest Pass Agreement, you speak of the emasculation of
23 this agreement in 1925, and by that I take it that
24 what you have in mind, or what you mean, is the
25 illumination of the favourable provision for those
26 thirteen commodities moving westward?

27 A. That is correct.

28 Q. That is what you mean by the emascula-
29 tion of the agreement?

30 A. That is what I mean.



1 Q. And then at page 7, paragraph 23, you
2 state:

3 "Surely it must be agreed that any branches
4 built thereafter . . ."
5 That is, after 1897:

6 ". . . would come under the Agreement."
7 That is at the top of page 7.

8 A. Yes.

9 Q. You are aware of the Supreme Court case
10 in 1925, are you?

11 A. Oh, yes, quite familiar with it, sir.

12 Q. It is just that you don't happen to
13 agree with the interpretation placed on it by the
14 Supreme Court at that time?

15 A. I will put it this way: I am highly
16 critical of the decision, and I think thousands of
17 western farmers would be if they knew the background of
18 the whole thing.

19 Q. Well, then, in paragraph 26 when you
20 state you would like to have a "restoration in its
21 entirety of this Magna Charta of Prairie agriculture"
22 you have in mind restoring the favourable rates on the
23 movement westward of the thirteen commodities, and you
24 have in mind at the same time legislation which would
25 give you the results from the agreement which you think
26 the Supreme Court, through its interpretation, failed
27 to give you; is that the position?

28 A. I had in mind a further amendment to the
29 amendment that was passed in 1925 to the Railway Act,
30



1 which would restore these other commodities to the same
2 position as they were in the 1897 Agreement.

3 Q. And have the Crow's Nest Pass rates
4 apply not only to the main lines, the lines in effect
5 in 1897, but also the after-built lines?

6 A. It always did apply, sir.

7 Q. The agreement did apply?

8 A. Yes, and the rates did.

9 Q. But if the Judgment of the Supreme Court---

10 A. Oh, no, not after it, but prior to 1918?

11 Q. Yes.

12 A. Yes.

13 Q. This trend or reduction of members of
14 those engaged in primary production which you mentioned
15 and that applied to agriculture, at what rate has that
16 trend been advancing?

17 A. I think you have those figures; I think
18 they were put in yesterday.

19 MR. DOHERTY: Those were the figures which
20 I read in this morning, Mr. Chairman.

21 MR. DICKSON: Q. I am talking about the
22 numbers of people engaged.

23 A. It has been fairly substantial. I
24 listened yesterday to the Honourable Mr. Brockelbank
25 telling about the railway industry on a consistent yield
26 basis, but there are other forest products that cannot
27 be converted into lumber and they go to waste unless
28 they are turned into pulp; that is the type of forest
29 product that isn't fit for lumber, and I think that the
30



1 province itself is losing not only revenue but employ-
2 ment for its people because of the fact we haven't
3 some industry of that nature and I am of the opinion,
4 maybe wrongly, but I am pointing it out for the
5 Commission to hear, that it is possibly due to the
6 fact that rates from Northern Manitoba or Western
7 Alberta and British Columbia are much more favourable
8 into the southern area where pulp is needed.

9 Q. Finally, Mr. Downing, you have mentioned
10 the possibility of an examination by you of some of this
11 duplication of line; there are certain applications now
12 before the Board for line abandonments, and I was
13 wondering if your organization is supporting any of
14 those abandonment applications?

15 A. I would say this, that as an organization
16 we have never given any consideration to it, but it is a
17 very serious matter and I am of the opinion that in
18 years to come there will be abandonment of lines. I
19 am also of the opinion, and I think I have stated it
20 here, that you are dealing with something that is very
21 intimate to the people who went in there and settled
22 on the basis of a continuation of a rail service, and
23 there must be ample time for the change and probably
24 ample compensation for those people whose livelihood
25 you may be uprooting, those people from very estab-
26 lished centres. It is a very difficult problem and it
27 is another very important problem.

28 Q. Thank you, Mr. Downing.
29
30



1
2 CROSS-EXAMINATION BY MR. ALLEY:

3 Q. Mr. Downing, I have reference only to
4 your paragraph 4: in writing that paragraph did you
5 take into consideration that in the three prairie
6 provinces there are approximately 19,000 miles of
7 rail, and in the Province of British Columbia some
8 3,000 miles of rail owned by the Canadian National and
9 Canadian Pacific? Did you give that factor any weight?

10 A. I didn't have that factor in mind when
11 I wrote this. However, I know that.

12 Q. Did you consider at all any difference
13 in the case of operating a main line as opposed to a
14 branch line?

15 A. No.

16 CROSS-EXAMINATION BY MR. SINCLAIR:

17 Q. Mr. Downing, you were speaking concerning
18 this overall managed transportation industry that you
19 envisage: had you contemplated the continuation of the
20 Canadian Pacific management?

21 A. I hadn't contemplated any management. I
22 was leaving that to the Commission to investigate and
23 suggest.

24 Q. Had you considered the possibility of
25 a sale of the Canadian National to the Canadian Pacific
26 so that it could, for income tax purposes, pick up the
27 deficits of the Canadian National to reduce Canadian
28 Pacific's income tax?

29 A. I gave no consideration to that, sir. I
30 have just stated my views here to the Commission and



1 try to make suggestions as to how things could be im-
2 proved.

3 Q. Well, now, at one place in your brief you
4 stated the railways managements had failed to appreciate
5 the significance of the changing scene. Are you
6 acquainted with Canadian Pacific management?

7 A. No, but that was a broad statement and I
8 think it is supported by the fact that we have this Com-
9 mission here sitting to investigate transport problems.

10 Q. One of the places where you thought
11 management was more or less asleep at the switch, as
12 it were, would be between Saskatoon and Unity; that
13 was one where it was a particularly glaring example, to
14 use your phrase. Now, Mr. Downing, that map which you
15 have in your hand indicates, even though it is a
16 Canadian Pacific map, in green the competitive lines of
17 the Canadian National, and it shows, by looking at it,
18 where these lines are situated. Is it your suggestion
19 to the Commission that one of the lines between Saskatoon
20 and Unity is not required and should be abandoned?

21 A. No, I would not say that, sir, but I said
22 there could be coordination of service there, and I showed
23 it as an example of rather extravagant railroad building.
24 That was the point I tried to make.

25 Q. Would you think one of the lines might be
26 torn up and both roads would use the same track as
27 they did in the example of joint running roads on the
28 railways of Prince Albert?

29 A. I did not make that suggestion. I pointed
30



1 it up as an example of the wastefulness of competitive
2 building in earlier years, and the overbuilding. You
3 can see these railways running side by side.

4 Q. If it was overbuilt and not required,
5 then one of the lines should be abandoned; would you
6 agree with that?

7 A. What would you do with the people who
8 have established businesses on the other line?

9 Q. There is only two miles, you said, between
10 them?

11 A. That is right.

12 Q. Even modern people, with a little Scottish
13 blood in their veins, wouldn't mind walking two miles,
14 would they?

15 A. Maybe we can make a deal here. Maybe
16 the C.P.R. would compensate these people and take over
17 the entire line.

18 Q. The track you had in mind, Unity to
19 Saskatoon, is the main line to the Canadian National
20 Railways in the province of Saskatchewan?

21 A. That is right.

22 Q. Did you also have in mind that the
23 Canadian Pacific track between Saskatoon and Unity is
24 part of its main line connecting Edmonton to Winnipeg?

25 A. Canadian Pacific?

26 Q. Yes, that is a Canadian Pacific main line
27 -- part of it -- between Edmonton and Winnipeg.

28 A. It swings southwest from Unity.

29 Q. No, don't start swinging; just keep going
30



1 straight.

2 A. Well, I have the map here.

3 Q. Let me trace it out for you.

4
5 ---Mr. Sinclair and witness consult map.

6 MR. SINCLAIR: The witness was saying that he
7 knew that the Canadian National line between Saskatoon
8 and Unity was part of the main line of the Canadian
9 National. The witness was also saying that he had not
10 -- and I think this is fair -- appreciated that the
11 Canadian Pacific line between Saskatoon and Unity was
12 a part of the Canadian Pacific main line between Winnipeg
13 and Edmonton through Saskatoon.

14 THE WITNESS: That is right.

15 MR. SINCLAIR: Q. Now, Mr. Downing, will you
16 look at page 2, paragraph 5, of your submission. There
17 you make reference to certain calculations of Commissioner
18 Knowles when the roll back legislation that became
19 effective in August last was before the Parliamentary
20 Committee. Did you know that Commissioner Knowles
21 made it clear that for the purpose of making the cal-
22 culations, but without accepting them as a fact, ^{he} assumed
23 that the freight charges were paid in Western Canada on
24 all goods shipped and received; did you know that?

25 A. All I know is, sir, that he made the
26 statement that of the 20 million relief being granted,
27 56.7 per cent would apply to the Western Region, which
28 I understood included British Columbia with the prairies.

29 Q. But on the hypothesis that I have just
30



1 stated, that, without accepting the fact, he made it
2 clear that in making those calculations he was doing so
3 on the basis, without accepting, that Western Canada
4 paid all the freight on everything it shipped and on
5 everything it received; that was part of the basis
6 upon which the calculation was made. Did you know
7 that?
8

9 A. I don't understand the gist of your
10 question -- that Western Canada paid all the freight
11 on goods they received?

12 Q. On all the goods it received and all the
13 goods it shipped?

14 A. I think that is correct.

15 Q. My answer to that would be obviously
16 "No," but I don't want to get into that argument with
17 you. You didn't know that was basic to his figures?

18 A. Are you suggesting the consumer at the
19 other end would pay the freight on the goods shipped out?

20 Q. My suggestion would be that it depends on
21 market conditions under existing circumstances, and it
22 cannot be stated generally, or, market mechanisms have
23 certain ways of adjusting to situations, and you can't
24 make these statements. There is an assumption that
25 some people make, and at times it could be generally
26 true, but at other times it may not be true. However,
27 that was basic to Mr. Knowles' calculations; did you
28 know that?

29 A. No, all I know was ---

30 Q. Well, let me ask you this: did you know



1 that those calculations were based only on normal rated
2 traffic, and did not take into account any traffic
3 moving at competitive rates and agreed charges -- he
4 also made that assumption; did you know that?

5 A. I want to get this clear.

6 Q. In other words, that these calculations
7 were based on what is known as normal rated traffic --
8 class and commodity rated traffic -- and no weight was
9 given in the calculations to traffic moving at com-
10 petitive rates or agreed charges.

11 A. You are suggesting that Mr. Knowles was
12 wrong in saying that 56.7 per cent of the 20 million
13 applied to western transport?

14 Q. I am suggesting it was based on certain
15 assumptions and on certain facts that were basic to
16 those assumptions, that apparently you hadn't taken
17 into account because you didn't know of them?

18 A. Sometimes legal language worries me.

19 Q. Well, I will try Scottish language, and
20 I am sure that won't worry you a single bit. You have
21 to have all the facts that are behind figures before
22 applying what those figures result in?

23 A. Yes, but when I take a statement from the
24 member of the Board of Transport Commissioners that
25 56.7 per cent of the \$20 million roll back would be of
26 assistance to the western people, I accepted it as an
27 accurate statement.

28 Q. Yes, based on certain assumptions which he
29 made -- and he stated he was making them, too.
30



1 THE CHAIRMAN: I think, Mr. Sinclair, that
2 the rest is argument, and I have argued with Mr. Downing
3 in other places, and I know he can argue.

4 MR. SINCLAIR: I had the pleasure in 1948
5 of, not arguing with Mr. Downing, but of having a
6 discussion with him, and at that time, as I generally
7 am, I was engaged in the search of justice, and I won't
8 say what Mr. Downing was trying to do to me, but he has
9 not changed.

10 THE CHAIRMAN: My association with him goes
11 back long before that.

12 THE WITNESS: Yes, and we get along very well,
13 sir.

14 THE CHAIRMAN: Oh, yes.

15 MR. SINCLAIR: Q. Would you be surprised to
16 know, Mr. Downing, that certain tests have been made by
17 the Canadian Pacific in regard to the application of the
18 17% increase, and these tests indicate that on the
19 17% increase on normal rated traffic the average in-
20 crease within Ontario and Quebec was 14.4 per cent, and
21 within Western Canada just about the same, namely, 14.9
22 per cent; and on competitive rates within Ontario and
23 Quebec the increase on the average was 11.6 per cent,
24 and within Western Canada it was a little lower, being
25 11.2 per cent. Now, I would suggest that those figures
26 that I have given you do indicate that you must appro-
27 ach figures such as the application of increases in
28 the freight rate structure with some caution and with a
29 substantial amount of background knowledge as to how
30



1 they are calculated and applied?

2 A. Yes, I am in the same position as you
3 were last night when you suggested you wanted to have
4 some additional time to study these things.

5 Q. Well, I would be grateful to have you
6 study the figures. I think that was a very, very apt
7 thing to say, sir, and I hope you will study them now
8 that I have given them to you.

9 A. I am anxious for the truth, sir.

10 Q. Now, Mr. Downing, you have had the advan-
11 tage of being in Western Canada a good long time and
12 having the advantage of staying?

13 THE CHAIRMAN: Mr. Downing may want you to
14 stand down to Ottawa.

15 MR. SINCLAIR: Very well, sir; I will be
16 there.

17 Q. I just want to ask, Mr. Downing, if you
18 remember that when the West was opened up for settlement,
19 homesteads were granted by the Dominion; you know the
20 background of the homestead granting?

21 A. Yes.

22 Q. And they were granted to settlers by the
23 Dominion provided they completed certain work within
24 a specified time; do you remember that?

25 A. Yes, I did it.

26 Q. And then, by doing that and completing and
27 discharging your contract, you received your land?

28 A. Yes.

29 Q. Do you consider those settlers, including
30



1 yourself, earned their land, or was it a gift from the
2 Dominion?

3 A. I think that on the whole they earned
4 their land.

5 Q. Now, some of their families -- and we know
6 them; there are many of them in Western Canada -- have
7 continued to hold those lands right up to the present
8 time; that is correct, isn't it?

9 A. That could be right.

10 Q. You would agree with me, Mr. Downing, if
11 anyone tried to take this land away, or any part of it,
12 from these families of these homesteaders they would not
13 be exercising the moral principles that we think are
14 basic to good Canadians?

15 A. There is nobody suggesting they take it
16 away from settlers.

17 Q. There is nobody suggesting that, having
18 earned their land, anybody should take it away from
19 them; that is what you say?

20 A. Yes.

21 Q. Do you, Mr. Downing, on behalf of the
22 Canadian Cooperative Implements, consider that when one
23 railroad is providing a passenger service between
24 major cities on its main line, and the other railroad
25 is providing service between the same cities on a
26 secondary main line -- have you got that picture in
27 mind -- would you think that the railroad that had its
28 passenger train service on the secondary main line
29 should withdraw it and allow the passenger train
30



1 service on the main trunk line of the other railroad
2 to provide the service?

3 A. I doubt, where you have two railways
4 competing for traffic, that you will have that coordina-
5 tion of service without going to the ultimate..

6 Q. Do you think it would be a good thing if
7 that was done?

8 A. It certainly would if it didn't uproot
9 some people in doing it. You are thinking now of the
10 line between Regina and Moose Jaw, probably?

11 Q. No, I am not thinking of that.

12 A. It is typical of that.

13 Q. Well, that may be one.

14 A. Very typical.

15 Q. Well, anything that you do to become
16 more efficient disturbs some people?

17 A. Oh, yes.

18 Q. And that should not prevent you from be-
19 coming more efficient?

20 A. So long as you compensate those who are
21 being disturbed and who may lose their means of liveli-
22 hood.

23 Q. You are thinking of the people on the
24 railroad who may be displaced from the work?

25 A. Oh, no, sir. You are always taking on
26 additional staff.

27 Q. Whom did you have in mind -- some of the
28 merchants in the town?

29 A. Yes.
30



1 Q. But a passenger train service does not
2 support and is not the reason for these merchants being
3 in these towns?
4

5 A. Well, if you have a passenger service
6 along with a freight service ---

7 Q. I am just talking passenger service.
8 You were thinking of abandonment of the line when you
9 gave that answer, were you?

10 A. Pardon?

11 Q. You were thinking of abandonment of the
12 line?

13 A. That is what I thought you had in mind.

14 Q. No, I am talking about abandonment of
15 passenger train service.

16 A. Well, that would not be very important.

17 ---Short recess.
18
19
20 -
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23 -
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1 Q. Now, Mr. Downing, you have stated that
2 in your opinion and in the opinion of your organization
3 the Commission should look at this overall management
4 and control of all transportation facilities in Canada,
5 and I think that you indicated to my friend Mr. Dickson
6 that you hadn't thought about whether that control might
7 well be by private management -- that isn't one of the
8 matters you had thought about; is that correct?
9

10 A. I think that I so indicated, yes.

11 Q. And is it your suggestion to the Commission
12 now that that has been raised that in addition to look-
13 ing at the way you put it that they should also take a
14 look at it in the way that was suggested by having
15 private control of this mammoth organization?

16 A. I think, sir, the suggestion I made was
17 broad enough to leave it to the discretion of the
18 Commission.

19 Q. And, so, in other words, you think they
20 should look at all possibilities?

21 A. Yes, oh, yes. I wouldn't think of
22 suggesting ---

23 Q. And it might well be that that is such
24 a mammoth job that it would be pretty apparent that
25 there were advantages in maintaining the type of opera-
26 tion in regard to management that exists today? Would
27 that be a possibility?

28 A. It could be, sir, it could be.

29 Q. Now, paragraphs 22 and 23. I was
30 going to ask you about your interpretation of the Crow's



1 Nest Pass Agreement of 1897, but you have answered Mr.
2 Dickson in that while you knew of the interpretation
3 of the Supreme Court of Canada in 1925 you were out of
4 sympathy with that interpretation.

5 Now, I think that probably summarizes your
6 position, but let me go on from that. Is it the posi-
7 tion of your organization that the Crow's Nest Pass
8 Agreement of 1897 should be strictly applied?

9 A. Yes

10 Q. And if, as a result of that, certain
11 rates would be outside the ambit of that agreement and
12 certain movements would be outside that agreement,
13 would you agree that those movements and those rates that
14 were outside the ambit of the agreement should be
15 under the control of the Board of Transport Commissioners,
16 like all other rates?

17 A. I took issue with the suggestion that the
18 rates on points outside the main line -- or, to be more
19 correct, points not in existence -- when the agreement
20 was entered into.

21 Q. I know you did.

22 A. They were covered by the agreement. It
23 is inconceivable for me, sir ---

24 A. I know, I know, Mr. Downing, that is your
25 view. What I am saying ---

26 THE CHAIRMAN: Let Mr. Downing finish, Mr.
27 Sinclair.

28 THE WITNESS: I would like to say that when
29 the President of the Canadian Pacific Railway in 1897,
30



1 Colonel Van Horn and the then Minister of Railways and
2 Canals Mr. Blair entered into that agreement, in entering
3 into that agreement they did not intend that it should
4 cover all points in Western Canada, because it was the
5 view of these people that it applied only to those points,
6 and I think it would have been stated in the agreement,
7 and it never was. It does not state it. And if it
8 did not apply to all other points, what kind of a dis-
9 criminatory rate structure would you have in Western
10 Canada?
11

12 In fact, the settlement could never have taken
13 place, because the settlers would be inclined to con-
14 gregate where they had the protective rate structure.
15 And, of course, as far as the Canadian Pacific Railway
16 was concerned, up until 1918 they never questioned it,
17 and they applied those relative rates to all points on
18 their branch lines.

19 Q. Well, certainly you would agree, Mr.
20 Downing, that you cannot have that chaotic discrimina-
21 tory rate structure that would result from applying
22 the Crow's Nest rate provisions only to the lines
23 that existed in 1897?

24 A. It couldn't be. You see, the intent of
25 the agreement never contemplated that.

26 Q. You would agree that you could not have
27 the unjustly discriminatory rate situation that would
28 have resulted if the rates of the Crow's Nest Pass
29 Agreement were applied only to lines and shipping
30 points in existence in 1897; right?



1 A. Right.

2 MR. SINCLAIR: Thank you very much, Mr.
3 Downing.
4

5 CROSS-EXAMINATION BY MR. MAURO:

6 Q. I have one question that I hope may be
7 of assistance to the Commission in clarifying a par-
8 ticular matter. Just so that the Commission has the
9 benefit of your story on this, Mr. Downing, my learned
10 friend had asked you about the matter of the Homestead
11 Act and the conditions under which the land would be
12 granted to a homesteader in Western Canada. You said
13 that once he did the things required of him you would
14 feel that it was unjust and inconceivable that the
15 government would try and take it away from him, and I
16 agree with you. I think you probably would also agree
17 that if the conditions under which the land was to be
18 granted were not fulfilled, then the government was
19 not obligated to either go through with the deal or
20 they could, in fact, take the land away?

21 A. Oh, well, of course, they didn't grant
22 title to the land.

23 Q. So that you and I, as good Westerners,
24 we would say that is the deal that governs -- whatever
25 the terms of the contract are -- that should be the
26 governing consideration?

27 THE CHAIRMAN: Well, we ought not to argue
28 that.

29 MR. MAURO: Well, the matter of the contract
30 is open to argument. I just wanted Mr. Downing's view



1 that he would or would not agree that the conditions of
2 the deal would be what should govern; is that right?

3 THE WITNESS: They do govern -- the deal,
4 the conditions set out.

5
6 BY MR. GOBEIL:

7 Q. Mr. Downing, in connection with paragraph
8 18 about integration, namely that if the management of
9 the railway make as technical and scientific a study
10 as we do, we might integrate a railway with the Eskimo
11 transportation and use the toboggan?

12 A. I didn't get the question, I'm sorry.

13 THE CHAIRMAN: The Eskimo -- toboggans --
14 sleds.

15 MR. GOBEIL: Q. After careful study, that
16 is the conclusion we might come to?

17 A. Well, that is up to you gentlemen.

18
19 BY MR. MANN:

20 Q. Mr. Downing, you ship out of Winnipeg,
21 do you?

22 A. Yes.

23 Q. And you ship to areas, warehouses that you
24 maintain?

25 A. Right.

26 Q. In shipping out of Winnipeg to a point
27 that is a competitive point that is being served by
28 Canadian National and Canadian Pacific, you have an
29 element of choice; you can ship Canadian National,
30 Canadian Pacific, or truck. That is right, isn't it?



1 A. That is right.

2 Q. The rates of Canadian Pacific and
3 Canadian National to such competitive points are
4 identical; that is correct?

5 A. That is correct.

6 Q. And the truck rates will be in the
7 general vicinity of the rail rates; is that correct?

8 A. They might be higher or lower.

9 Q. In the general vicinity, though?

10 A. Yes.

11 Q. As an industrial shipper, is this ele-
12 ment of choice that you have as between (a) two
13 railroads and (b) railway and truck -- is that an
14 important thing for your company?

15 A. To have the choice between the railways
16 and the trucks?

17 THE CHAIRMAN: And between the railways them-
18 selves?

19 COMMISSIONER MANN: Q. And between the
20 railways themselves.

21 A. Well, our general policy has been so, and
22 we have so notified our suppliers, that we like to split
23 the business.

24 Q. As between the two railways?

25 A. As between the two railways.

26 Q. As between the two railways?

27 A. That's right.

28 Q. And what about the trucks, Mr. Downing?

29 A. The trucks -- at points that are -- where
30



(Mann)

1 we get a much better rate, we use the trucks. And
2 there are other factors, of course. You see, in
3 shipping by rail you have to load and unload which is
4 more costly. And at points out in the country, you
5 can much more readily, where we are not at a platform,
6 and have to use the railroad platform, and move it some
7 distance -- it is much cheaper to get it in there~~by~~
8 transport, much less costly, and much more convenient
9 too.

10
11 Q. In other words, you think that this ele-
12 ment of choice is important to an industrial shipper?

13 A. Yes, it is, in that respect, sir, yes.

14 Q. In paragraph 8 on page 3 of your sub-
15 mission, Mr. Downing, you speak about branch lines or
16 services, generally, and you say:

17 ". . . secondly, that any change in the type
18 of service should not be proceeded with with-
19 out adequate advance notice."

20 Now, how much advance notice do you have in mind? Is
21 it a month, two years, five years?

22 A. Oh, well, now, -- a month -- you can't
23 dismiss an employee without giving a month's notice, in
24 most cases.

25 Oh, no, it would depend, of course, on
26 the circumstances. There would be a small line of
27 railway where there would be very few -- that the
28 notice be not too lengthy. There would be a fairly
29 long branch line that there might be considerable
30 advance notice given to prevent hardship on these people,



1 if the service is cut off.

2 THE CHAIRMAN: It is a case where judgment
3 should be used?

4 THE WITNESS: Yes, that is right, sir.

5 COMMISSIONER MANN: Q. Now, Mr. Downing,
6 when we sat in Winnipeg we had the benefit of an
7 appearance by Mr. Parker of the Manitoba Wheat Pool,
8 and Mr. Parker made a somewhat similar point to yours
9 and felt that there should be an overall plan of pro-
10 posed abandonment of branch lines given to the public
11 so that some planning was possible by the public with
12 relation to these intended changes. Is that also
13 something that you have in mind?

14 A. Well, I think that is a very good sug-
15 gestion. I think it is not proper that you should
16 go "boom" and say, "We are going to take out this
17 branch line . . . , say, "in six months" -- or something
18 in the year, and regardless of what hardship may be
19 inflicted on the people living there in good faith,
20 feeling that this service would always be maintained.

21 Now, we know there have to be some changes
22 made, and there are going to be some painful ones, but
23 they have to be the least painful that it is possible,
24 for everybody.

25 COMMISSIONER MANN: Thank you very much, Mr.
26 Downing.

27 BY MR. PLATT:

28 Q. I gathered from the tenor of your evidence,
29 rather from anything that I recall you said, that it is
30



1 your opinion that other forms of transportation should
2 not be encouraged to compete with the railways merely
3 for the sake of competing; if the railway can do the
4 job best they should be allowed to do it. ,

5 A. I think I said this: that we must have
6 the railways to move certain commodities where the trucks
7 cannot compete, and that if we permit too much of the
8 meat to be taken, then somebody has got to pay the shot
9 eventually for the whole thing, and some other shipper
10 will be in difficult circumstances, especially if he
11 is interested entirely in rail transport.

12 Q. One other question, Mr. Downing. In
13 this proposed integration of transportation that you
14 were asking us to take a look at, do you think that
15 the economies that you envisage might be obtained at
16 least in part by wise planning, rather than overall
17 management authority?

18 A. By wise planning by the railroads them-
19 selves?

20 Q. No, by all people engaged in transporta-
21 tion. What I have in mind is building highways along-
22 side of railroads rather than perhaps somewhere else,
23 and the subsidization of certain forms of transport at
24 the expense of other forms of transport, and that sort
25 of thing?

26 A. Well, of course, you have most of your
27 highways built along railways, but I am not sure that
28 I am quite clear on your question yet.

29 Q. Well, we have had a suggestion on at least
30



1 one occasion, and perhaps more, that there should be
2 overall planning of the transportation in Canada at
3 government level, I presume, and that if this were done
4 many of the duplications that might arise in future
5 could be avoided. And my point was do you think
6 this would help or be as useful as the overall actual
7 authority that you suggest?

8 A. I would question, Mr. Platt, the value of
9 that, because your railways are pretty well in existence
10 now. I mean, you can't say you will build here and
11 build there. They are there, and most of your highways
12 are there at the present.

13 Q. Put it another way. Can you reach
14 integration without common ownership?

15 A. That is a question, sir, for you and
16 your colleagues.

17 COMMISSIONER PLATT: Yes, fair enough.
18 Thank you, Mr. Downing.

19 THE CHAIRMAN: Mr. Downing, the tenor of
20 your evidence is that rail service is essential to the
21 prairies?

22 THE WITNESS: Right.

23 THE CHAIRMAN: And I think it is true that so
24 far we have been singularly free of complaints against
25 present service, would you say the service now is
26 reasonably good -- the rail service?

27 THE WITNESS: I think it is probably as good
28 as we can expect.

29 THE CHAIRMAN: Well, thank you very much, Mr.
30 Downing.



1 RE-EXAMINATION BY MR. DOHERTY:

2 Q. May I have just one question. Mr.
3 Downing, Mr. Sinclair asked you whether or not it was
4 your belief that the Crow's Nest Agreement of 1897
5 should be strictly applied, and I believe your answer
6 was Yes. Now, in saying that had you in mind the
7 agreement as you interpret the agreement?
8

9 A. Oh, absolutely, and Mr. Sinclair agreed
10 with me that you could not have a discriminatory rate
11 service in the west yet. That would be chaos.

12 MR. SINCLAIR: I certainly did, and I thank
13 you, Mr. Downing, for your answers to my questions in
14 such a frank way.

15 THE WITNESS: I thank you for your kindness.

16 THE CHAIRMAN: Next witness, Mr. Doherty.
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1 MR. DOHERTY: Mr. Chairman and Commissioners,
2 we propose now to ask you to consider the submission of
3 the Hudson Bay Route Association, and in this instance
4 we will have two witnesses -- Mr. J. S. Woodward,
5 President of the Association, who will read the first
6 part of the brief up to and including the paragraph at
7 the top of page 6. The first portion of the brief,
8 up to and including the Crow's Nest rates paragraph
9 at the top of page 6, it will be read by Mr. J. S.
10 Woodward, President of the Association, and then Mr.
11 James Gray, Secretary-Treasurer of the Association,
12 will read the remainder of the brief.
13

14 I will now call on Mr. Woodward and Mr. Gray.

15
16 J. S. WOODWARD, called

17 MR. WOODWARD: Mr. Chairman and members of
18 the Commission, I must apologize in the first place
19 for having to take my glasses off in order to be able
20 to read the brief, because in so doing it prevents
21 me from seeing whether members of the Commission are
22 being put to sleep by the method in which I am reading,
23 and I am also wondering whether it will have such an
24 effect on eminent counsel over there, with a little bit
25 of luck.

26 The Hudson Bay Route Association welcomes
27 and appreciates this opportunity of presenting to you
28 our viewpoints and suggestions in regard to trans-
29 portation problems pertaining to the operations of
30 the Hudson Bay Railroad and the relationship it bears



1 to Northern development and the general effect it has
2 on the economy of the West.

3 We now put in an appendix which is the annual
4 report of our Association, which meets every year, and
5 contains the proceedings of what goes on there.

6 This Association is the successor to the old
7 "On To The Bay Association," which was formed in the
8 West to press for the completion of the railway to
9 Hudson Bay, when in 1923 the federal government decided
10 to abandon the project and to take up the steel that
11 was already laid. In 1944 the present organization
12 was set up to press upon all the powers responsible, the
13 necessity for greater use of the route. The Association
14 is non-political, non-profit making and voluntary.
15 The membership is made up of individuals, local com-
16 mittees of various kinds, businesses, municipalities,
17 boards of trade, chambers of commerce, cities and towns
18 s well as farm organizations in the three prairie pro-
19 vinces. We also receive grants from various large
20 business concerns as well as substantial grants from
21 the Saskatchewan Wheat Pool and the Manitoba and
22 Saskatchewan governments.

23
24 DIRECT EXAMINATION BY MR. DOHERTY:

25 Q. I wonder if you could perhaps give us
26 some idea of the membership of your Association.

27 A. Yes, I think we have some figures here
28 if it will be of interest to the Commission. Our
29 principal support comes from the rank and file of the
30 people in the West from rural municipalities, and of



1 those rural municipalities, twenty-three of them gave
2 us support in Manitoba, one hundred and thirty in
3 Saskatchewan and eleven in Alberta. In the cities it
4 was one from Manitoba, seven from Saskatchewan and one
5 from Alberta. In the towns it was two from Manitoba,
6 nineteen from Saskatchewan and none from Alberta. In
7 the villages it was none from Manitoba, one from
8 Saskatchewan and none from Alberta. The boards of
9 trade and chambers of commerce, it was seven from
10 Manitoba, eight from Saskatchewan and none from Alberta.
11 In the local wheat pools, co-ops, farmers' unions, it
12 was six in Manitoba, thirty in Saskatchewan and none in
13 Alberta. The large and small business concerns, it
14 was forty-three in Manitoba, forty-nine in Saskatchewan
15 and none in Alberta. In individual membership it
16 was forty-five in Manitoba, one hundred and forty-nine
17 in Saskatchewan and thirty-two in Alberta. We received
18 affiliation fees from the Manitoba, Saskatchewan and
19 Alberta Farmers' Union as well as from the Federated
20 Co-ops, and also the Manitoba Pool Elevators and
21 United Grain Growers. There were special grants of
22 \$500 each from the Saskatchewan and Manitoba Governments
23 and the Saskatchewan Wheat Pool.

24
25 We are continually asking for an increase
26 on grain, and you will see there that our organization
27 is supported by a very large cross-section of the rank
28 and file of the people in this country who are interested
29 in development of the route.

30 I will go on now to my third point.



1 The Board of Directors is elected at the
2 annual meeting each year, and serves without pay.
3 The three prairie provinces are all represented on
4 the Board of Directors.

5 The sole purpose of the Association is to
6 work towards greater use of the Hudson Bay Route in
7 the exchange of goods between Western Canada and Europe,
8 as we realize that this route is approximately 1100
9 miles shorter from the prairies to Europe, than by way
10 of Fort William-Montreal, and must of necessity create
11 savings to either the producer or the consumer, or per-
12 haps both. The Association tries to assemble all
13 pertinent facts regarding the route and to publicize
14 their findings and to place those facts before the
15 various officials concerned, with the hope of making
16 progress in the development of trade.

17
18 Q. Mr. Woodward, you made reference to the
19 fact that this route is approximately 1100 miles shorter;
20 could you give us some idea of the mileages from the
21 different centres?

22 A. I have some figures here. Would the
23 Commission be interested in individual points and
24 mileages from individual points such as Regina and
25 Prince Albert, and so forth, as a matter of comparison?

26 From Saskatoon, for instance, the distance to
27 Liverpool via Montreal and the Great Lakes route is
28 4,878, and via Churchill it is 3,750; that is to say,
29 there is a saving of 1,128 miles as between Saskatoon and
30 as between Montreal and Churchill.



1 Wheat at Saskatoon at the terminal elevator is
2 then about 800 miles from Churchill and about 800 miles
3 from Fort William, so when wheat is at Churchill it
4 is in a corresponding location at the head of the lakes,
5 and therefore has to bear transportation costs from
6 Fort William to Port Arthur down to Montreal to the
7 seaport in Eastern Canada.
8

9 The difference is 980 miles from Regina, and
10 Prince Albert is 1,215 and Edmonton is 1,151, and so
11 forth.

12 The history of the Hudson Bay Railroad dates
13 back many years, even before Confederation. It was
14 realized by all those interested in building Canada
15 that there was the ocean stretching into the heart of
16 the prairies to within a few hundred miles of our great
17 agricultural lands. (The well-known Hudson Bay Company
18 has used this route for centuries, with very few
19 serious accidents and to the great financial gain to
20 the Company). If a railroad was built from the
21 prairies to this coast and a port established, it
22 would create a direct route from Western Canada to
23 Europe, which would be approximately 1100 miles shorter
24 than by way of the lakehead and Montreal. This, of
25 course, must of necessity reduce the transportation
26 costs between those points. Very little progress was
27 made until after the turn of the century. Then on
28 September the 18th, 1908, the then Prime Minister of
29 Canada, the Right Honourable Sir Wilfrid Laurier made
30 the following announcement:



1 "We have undertaken the construction of
2 another railway, the Hudson's Bay railway.
3 At the present time the wheat, as soon as
4 it is tracked, is sent out to Lake Superior.
5 We want to provide another railway by Hudson's
6 Bay. There will then be the present route
7 and the Hudson's Bay Route. The man who
8 raises wheat or cattle will then have two
9 outlets for his production. The trade of
10 Canada is too great even for those two outlets.
11 The Government will build the railway, or
12 rather somebody will be entrusted with
13 building it for us, but whatever we do, all
14 the terminals and all the elevators will be
15 built by the Government and retained under
16 all and every circumstance by the Government,
17 so as to ensure the largest measure of
18 benefit to the Canadian people in the
19 Northwest provinces."

20
21 Q. Mr. Woodward, from your long association
22 with the Hudson Bay Route Association, could you tell
23 us whether or not any bonds were ever issued to pay
24 for this railway?

25 A. That brings up a very interesting point.
26 I remember very well in the federal election campaign
27 in 1908, the then Minister of the Interior the Honourable
28 Frank Oliver saying that the Hudson Bay Railway was
29 equipped from the proceeds and the sale of homestead
30 lands and preemptions, and that no bonds would ever be



1 issued.

2 You may remember that the election of 1908
3 followed on the election of 1904, which was largely
4 fought on the issue of the transcontinental railway
5 and the Grand Trunk Pacific, God rest their souls, and
6 the idea was that this wasn't going to be a bonded opera-
7 tion.

8 Now, I have every reason to suspect that no
9 bonds ever were issued to build the Hudson Bay railway;
10 that is to say, it was built from the sales of these
11 preemptions, earmarked for the purpose, and therefore
12 there was no capital liability as such against them,
13 so that if I may go on for a minute it was originally
14 operated by the Department of Transport as a separate
15 entity up until about 1935, or so. It was operated as
16 that under the general management of a Major McLaughlin.

17 As the time came to repair them, they decided
18 it might be better, instead of operating it as part of
19 the Department of Transport, to let the Canadian National
20 operate it as lessees, and so the Canadian National
21 leased the line, the operation of it, for a number of
22 years until, I think, the 1st of February, 1958, when
23 by Order-in-Council it was transferred, holus-bolus, to
24 the Canadian National, and so far as I know that is the
25 only time when the Canadian National has got 500 miles
26 of railway without a dollar's worth of indebtedness
27 against it.

28 Q. You mean to say, Mr. Woodward, that there
29 was nothing paid whatsoever on this railway?
30



1 A. To the best of my knowledge and belief
2 the Canadian National paid nothing for the 500 miles of
3 line, and we are going to suggest that the reason --
4 there is no real reason for charging such high rates,
5 because they got 500 miles that cost them nothing, and
6 they didn't have to earn any interest on capital cost,
7 but you hear occasionally the railway representatives
8 suggesting that the truckers have no business using
9 the highways for anything because the government built
10 them, and here ^{is} the Canadian National / ^{that} got 500 miles
11 for nothing.

12
13 I am sorry that I had to divert so long but,
14 you know, I have been mixed up in the affairs of this
15 province for over fifty years.

16 THE CHAIRMAN: You have been very close to it.

17 THE WITNESS: My memory is a little weak, but
18 I do like to sometimes draw back on what happened in
19 the very early days.

20 The first actual work started in the fall
21 of 1910 at The Pas, Manitoba. By 1917 the steel had
22 been laid for 330 miles from The Pas. However, owing
23 to shortages caused by the war, work was stopped and
24 remained that way until 1923, when the government of
25 that day decided, owing to existing shortages of steel
26 and materials, to abandon the line and remove the
27 steel. It was then that an organization called "The
28 On To The Bay Association" was formed in the West, for
29 the purpose of mobilizing public opinion to press
30 upon the government the necessity for completion of the



1 line. They were successful in this, as the Government
2 reversed their decision and decided to complete the
3 railway to Churchill. It was completed in 1929, and
4 the port of Churchill started to operate commercially
5 in 1931.

6 However, we were in the throes of a great depres-
7 sion during the following years, followed by the
8 Second World War, and the trade over this route was
9 limited in so far as peace time operations were con-
10 cerned.

11 In 1944 the old "On To The Bay Association"
12 was reorganized under the present name of "The Hudson
13 Bay Route Association", and it has kept up a continuous
14 campaign for the greater use of this route. It would
15 appear that it has also met with some success, as the
16 following statistics will show.

III - IMPORTS AND EXPORTS VIA THE HUDSON BAY ROUTE

9. Year	Imports(tons)	Exports (Bus.Wheat)	No. Deep Sea Vessels
1931	390	544,733	2
1932	419	2,736,029 & 881 tons wheat products	10
1933	2,619	2,707,889 & 150,130 BF Lbr. 602 cases honey, 11 cases dried eggs, 200 head cattle.	10
1934	2,466	4,049,877	15
1935	2,582	2,407,000 & 4,076 bus.oats, 4253 tons flour, 8 tons honey, 580 head cattle, 2,399.544 BF. Lumber.	6
1936	2,128	4,293,501	13
1937	2,004	540,000	2
1938	52	916,013	3
1939	1,248	1,777,000	6
1940 to 1945 not reported owing to war conditions			
1946	37	2,928,936	10
1947	375	4,975,754	16
1948	949	5,325,884	15
1949	1,800	5,527,535	16
1950	3,350	6,767,743	20
1951	6,990	7,278,443	21
1952	7,740 (includes 6000 tons cement)	8,585,089	27
1953	1,947	10,784,445	31
1954	3,867	12,484,893	36
1955	1,422	13,007,831 & 3,080 tons flour	39
1956	2,314	16,129,520	48
1957	4,084 & 14,703 gals. gas & oil.	16,645,556	49
1958	2,646 & 30,414 gals. Arctic diesel oil & 18,000 tons of nickel ore.	19,912,618	58
1959 (See App-)(endix "B")	5,766 & 22,650 tons of nickel ore & 36,803 tons of oil & gas.	21,787,125	59



1 That is evidence of a very steady growth, and
2 I would like to suggest that a lot of it is due to the
3 efforts of this Association.

4 There is an ever-increasing trade in domestic
5 supplies and also coastal trade through the port.

6 In 1959 inward coastal trade amounted to
7 22,230 short tons of general cargo. Outward coastal
8 trade was 37,600 bushels of mixed feed oats, and
9 2,870 short tons of one feed screenings, shipped to
10 an eastern port. Also outward bound was 12,484 short
11 tons of general cargo, which included gasoline and
12 petroleum products. It should also be noted that
13 138,342 bushels of mixed feed oats were shipped overseas.

14 Through the use of water, land and air trans-
15 port, Churchill is now considered an all year supply
16 base for the North.

17 It should also be noted that the over
18 22,000 tons of nickel ore from Rankin Inlet Mines,
19 unloaded into railway cars and shipped to Fort
20 Saskatchewan for refining, created considerable traffic
21 for the railroad.

22 You will note from the foregoing figures that
23 the growth of trade through Churchill has shown a con-
24 tinual increase since 1944, particularly in the export
25 of prairie wheat. This is very gratifying to us, as we
26 know it has earned millions of dollars for the producers
27 and also saved our customers overseas millions of
28 dollars. In proof of this statement we refer to the
29 Canadian Wheat Board Report for the crop year 1957-58,
30



1 page 9. In their comparison of prices they show that
2 the wheat sold at Churchill brought 11 cents a bushel
3 more than at Fort William. Also on page 8 they state
4 there was a saving in railroad freight to Churchill.
5 The Saskatchewan Wheat Pool presented figures to our
6 annual convention, showing savings to the overseas
7 buyer of 6 cents a bushel on wheat purchased at
8 Churchill. When considering the volume of wheat
9 that has been exported over the Hudson Bay Route since
10 its beginning, and the savings that have been realized
11 by both producer and consumer, it proves the economic
12 value of this railroad and port.

13 Crow's Nest Pass Rates: We are indeed
14 grateful that the Crow's Nest Pass Rates were applied
15 to the Hudson Bay Line in the same manner as on the
16 other lines in Western Canada. We further state that
17 it is absolutely necessary that the Crow's Nest Pass
18 rates be retained for the economic welfare of the
19 West and Canada as a whole, and we strongly protest
20 any interference with this established national policy.

21 Now, that is where I propose to end reading,
22 with your permission. I would like to add one obser-
23 vation; I wonder what would have happened if the
24 Crow had ever made a nest.

25 MR. DOHERTY: Q. I believe you have one
26 or two additions to make to the table on page 4. Would
27 you read those into the record?

28 A. This is in 1946, is it? Yes. The
29 additional exports were 3,000,000 board feet of lumber
30



1 and 2200 tons of flour and feet. And then in 1947
2 we shipped out 5,000,000 feet of board lumber, that was
3 a complete shipload, and then as a further correction
4 down at the bottom of that, in 1957, the figure of
5 16,645,000 should be tons of fuel in both cases and
6 not gallons. If I might be permitted to make those
7 corrections.
8

9 Now you will have a change of accent. Mr.
10 Gray will take over.

11
12 JAMES GRAY, called

13 DIRECT EXAMINATION BY MR. DOHERTY:

14 Q. Mr. Gray?

15 A. Mr. Chairman and members of the Commission,
16 and fellow visitors, I will deal with freight rates
17 discrimination.
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1 Freight Rates Discrimination: Although
2 imports have also shown increases during the operation
3 of the line, they are very limited. Our Association
4 has tried to get business men to parntonize this route,
5 and we have been partially successful. However, the
6 complaints that we have received from them is that the
7 railway freight rates are too high. We have made
8 investigations and are satisfied that their complaints
9 are justified. It would appear that others, upon making
10 investigations, have the same opinion. Here are
11 extracts taken from "The Economic Survey of Northern
12 Manitoba, 1958," and published by authority of The
13 Honourable Gurney Evans, Minister of Industry and
14 Commerce, Province of Manitoba.

15 Page 2:

16 "Perhaps the most important single factor
17 discouraging economic growth in Northern
18 Manitoba is the very high level of rail
19 freight charges."

20 Page 132:

21 "In our opinion, Northern Manitoba's major
22 transport need is lower railway freight rates
23 that would lead to the increased use of the
24 present rail system, rather than for new
25 rail or road construction."

26 Page 134:

27 "The Canadian National Railways policy is to
28 encourzge imports, and in general, exports,
29 through Eastern ports, and to short haul as
30



1 little as possible. This policy is clearly
2 in conflict with the federal government's
3 declared policy to promote the use of Churchill."

4 Rates made available to us on the Hudson Bay
5 Railway are not satisfactory compared with commodity
6 or agreed charge rates available in other areas. The
7 following letter is submitted as evidence to show that
8 we cannot hope to increase our imports under the
9 present arrangements in regard to those charges.

10 Q. Before reading the letter, would you give
11 us some indication of the extent and nature of the
12 operations of the firm from which this letter has been
13 received, and probably the condition under which the
14 letter was written to you?

15 A. This firm is quite a large international-
16 ly known firm operating in different countries. I am
17 not capable of speaking for the firm and its financial
18 statements, but I do know they are importers through
19 all major ports in Canada and ports of other countries,
20 and they handle a tremendous variety of goods. They
21 also look after passenger and insurance agencies, and
22 such like, for marine services. They are bonded and
23 free warehouse proprietors in Winnipeg and some other
24 Canadian cities. They have been bringing in goods
25 through Churchill, but a year ago this stopped, and I
26 asked them the reason, and this is the letter; this is
27 a copy of a letter I received from this company, giving
28 the reason.
29
30



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

Gray, dir
(Doherty)

5310

Arbuckle, Smith & Co. (Canada) Ltd.
(Shipping, Forwarding, Passenger and Insurance Agents)

Bonded and free Warehouse Proprietors,
Custom Agents and Foreign Carriers

356 Main Street,
Winnipeg 1, Man.
January 26th, 1959

Mr. Jas. F. Gray,
Sec's Treasurer,
Hudson Bay Route Assn.

Dear Mr. Gray:

"In looking over your brief" (I might mention, this was a brief we presented to the federal government a year ago) "item number seven is the one we are most interested in, covering Import Merchandise and I thought I might point some of the advantages of shipping via Eastern Ports to Winnipeg.

"I mentioned this in our conversation, but to be more specific wish to give you rates on confectionery. Last summer we secured an 'Agreed Charge' rate from Halifax, Saint John and Montreal to Winnipeg, which puts Churchill away out of line. We were given the 'Agreed Charge Rates' to compete with trucks and the comparison is as follows:

Via Halifax & St. John		Min. 30,000	\$ 2.39
		Min. 36,000	2.31
Via Montreal	All Rail	Min. 30,000	2.04
		Min. 36,000	1.96
	Water Rail	Min. 30,000	1.96
		Min. 36,000	1.88
Via Churchill		Min. 24,000	3.12

"From the West Coast the railways have issued a tariff covering general merchandise to



Saskatoon and Regina, comparison as follows:

	<u>Class</u> 70	<u>Class</u> 55	<u>Class</u> 45
Vancouver to Saskatoon	3.25	2.60	2.10
Regina	3.25	2.60	2.10
Churchill to Saskatoon	3.40	2.68	2.19
Regina	3.49	2.74	2.25

"The mileage from Vancouver to Saskatoon 1088, from Vancouver to Regina 1108 and from Churchill to Saskatoon 816 miles and Regina 814 miles. Under these conditions it is very difficult to increase package freight from overseas, via Churchill.

"Yours truly,

(Sgd) F. H. Hancock."

I might state he also mentioned to me that some of the merchandise they shipped into the prairies was shipped via the Panama Canal to Vancouver and trucked from Vancouver cheaper than the railways could take it into the prairies. I can't definitely state, but I believe it was Saskatoon, Regina, Winnipeg -- I am not quite clear on that -- but it was in the prairie cities. So, after going this roundabout way, it was done cheaper than it could be taken from Churchill to Saskatoon.

We herewith submit a comparison between Churchill and Vancouver rates, covering approximately the same mileage.



From Churchill, Manitoba

To	Miles	Classes				
		100	85	70	55	45
(Rates in cents per 100 lbs.)						
Swift Current, Sask.	996	637	541	445	350	287

From Vancouver, B.C.

<u>To</u>	<u>Miles</u>	<u>Classes</u>				
		100	85	70	55	45
(Rates in cents per 100 lbs.)						
Morse, Sask	993	535	454	374	294	241

Tariff references;

C.P.R. W.1000 C.T.C. No. W 4204

C.N.R. W.1000 C.T.C. No. W 2234

You will note from the above that it is cheaper to ship from Vancouver to points served by the same railroad on the prairies than from Churchill to points on the competitors' line. This example which deals with a two line haul versus a single line haul sharply points out that a substantial spread exists between these types of class rates. This in itself constitutes a type of discrimination against the Port of Churchill.

It is also very apparent that other lines can obtain special rates of various types in carrying goods to market, but the Hudson Bay line being considered "non-competitive" does not enjoy the same advantages. If this condition remains in regard to freight rates, the Hudson Bay line will find it very difficult to increase its imports, and perhaps lose some of the existing business.

Trackage Maintenance Subsidy (Bridge the Gap) (Railway Act - Section 468 - See Appendix "C"):
Under the terms of this Section of the Railway Act, the federal government in 1958 paid to the railways the



maximum subsidy of \$7 million in return for reductions in freight rates during that year, and this method is continuing according to General Order No. 853 of the Board of Transport Commissioners, dated November 16th, 1959. (See Appendix "D")

The resulting freight rates as compared to the freight rates that apply on the Hudson Bay Line are shown in the following schedules, and plainly show discrimination against the Hudson Bay line.

The following examples plainly show discrimination against the Hudson Bay Route.

From Churchill, Manitoba

<u>To</u>	<u>Miles</u>	<u>Classes</u>				
		100	85	70	55	45
(Rates in cents per 100 lbs.)						
Winnipeg, Man.	977	535	454	374	294	241
Regina, Sask.	843	469	398	328	257	211
Saskatoon, Sask.	814	458	389	320	252	206
Edmonton, Alta.	1137	601	510	420	330	271

Tariff reference:

C.N.R. No. W.1000 C.T.C. No. W. 2234

From Toronto, Ont.

<u>To</u>	<u>Miles</u>	<u>Classes</u>				
		100	85	70	55	45
(Rates in cents per 100 lbs.)						
Webster, Ont.	977	535	454	374	294	241
		*495	*418	*341	*265	*215
Ogaki, Ont.	845	469	391	328	257	211
		*432	*364	*298	*230	*186
Armstrong, Ont.	816	458	389	320	252	206
		*421	*356	*290	*225	*181
Winnipeg, Man.	1208	634	539	443	349	285
		*589	*499	*407	*318	*257

Tariff references:

C.F.A. No. 4 G C.T.C. No. 1534 (Supp. 30)
*C.F.A. No. 76 C. C.T.C. No. 1618



I would like to pass one remark. The bottom figures with the "*" in front of them -- that is the result of the subsidy being applied; that is why they are used. That subsidy is applied approximately between Sudbury, Ontario and Fort William on what they call a non-revenue productive 500 and some odd miles.

You will note that although the basic rate tariffs are approximately the same, that owing to the federal government subsidy being paid (C.F.A. 76C) that the railways give a reduction in rates which do not apply on the Hudson Bay Line.

From The Pas - To Churchill (511 miles)
Manitoba Manitoba

Classes				
100	85	70	55	45

(Rates in cents per 100 lbs.)

326 277 228 179 146

From Sudbury - To Fort William (552 miles)
Ontario Ontario

Classes				
100	85	70	55	45

(Rates in cents per 100 lbs.)

337 286 235 185 152
*306 *258 *209 *161 *130

Tariff references:

C.N.R. No. W. 1000 C.T.C. No. W. 2234
C.F.A. No. 4 G C.T.C. No. 1618

*C.F.A. No. 76 C C.T.C. No. 1618

Our Association feels that by the application of this part of the Railway Act, and excluding the Hudson Bay Line from its benefits, there results an unfair situation to those who are users of the Bay Line. All imports through our eastern ports shipped west have the advantage of the reduction in freight rates caused by the application of this part of the Act, but imports



1 coming from Churchill to the prairies have to pay the
2 regular freight rates. This militates against Churchill
3 imports.
4

5 Therefore the Hudson Bay Route Association
6 urgently requests that your honourable Commission
7 recommend that Section 468 of the Railway Act be
8 amended to include the Hudson Bay Railway line from
9 Churchill to The Pas, Manitoba, in order that the
10 users of this line get the same rights in regard to
11 freight rates as those on the lines presently mentioned
12 in this section of the Act.

13 Railways Horizontal Percentage Freight Rate
14 Increases:

15 The Hudson Bay Route Association protests
16 most vigorously against the horizontal percentage
17 freight rate increases in general and particularly in
18 connection with the tremendous unfairness of such policy
19 in its continuous application during past years on
20 the remote 510 miles of the Hudson Bay Railway which
21 is so absolutely devoid of highway or waterway or rail
22 traffic competition. People on such a line as the
23 Hudson Bay Railway tend to bear the full impact of
24 rate increases and a percentage increase means a great
25 deal more to them than to people in central Canada where
26 the percentage increase does not amount to very much
27 in dollars and cents and where competition must very
28 often prevent any increase at all being applied.

29 The Turgeon Royal Commission stated on page 61
30 of their report that it was incorrect to assume that



1 all freight under all conditions can bear the same
2 burden of increase, and that horizontal percentage
3 increases disturb relationship in cents per 100 pounds.

4 It is stated further that horizontal increases
5 aggravate the disadvantage suffered by long haul
6 shippers and consignees. There was no discussion of
7 the need for any amendment to the Act, but there was a
8 suggestion made for different ways of applying increases
9 in different cases according to circumstances involved
10 in each case and reference was made to the possibility
11 of increases on the basis of so many cents per 100
12 pounds, or certain maxima being applied and no more.
13 This section of the Commissioners' report closes with
14 the words (page 62): "In all future increase cases
15 it is to be hoped that the Board and the railways will
16 pay due regard to the considerations referred to in
17 this section."

18 We feel there is no part of Canada to which
19 such protection might more properly apply than to the
20 area served by the Hudson Bay Railway. We feel that
21 with our lack of competition, the Board of Transport
22 Commissioners should give us some protection against
23 the burden of continuing horizontal percentage rate
24 increases.

25 Mr. Chairman, I would like to read clause 4 of
26 Article 317 of The Railway Act:

27 "No toll shall be charged that unjustly
28 discriminates between different localities."

29 We believe when the Railway Act was drawn up, the
30



1 gentlemen in charge of so doing were trying, the same
2 as you gentlemen are going to have to do and are doing
3 now, to see that justice is given to any and all parts
4 of Canada. So, they put that clause in there to show
5 that, that no toll shall be charged, and when you
6 look at the interpretations pages of the Act it tells
7 you what a toll means under the Act, and it means all
8 charges in regard to freight. We claim that section
9 of the Act has not been carried out in regard to the
10 Hudson Bay Line.
11

12 Now, we are going on to other matters that
13 are not directly freight matters, but indirectly they
14 will affect the freight rates or the freight charges.

15 THE CHAIRMAN: They affect transportation,
16 you claim?

17 THE WITNESS: I think so, yes.

18 Extension of Ship Wharfage: When the
19 original wharves were built in 1930, they were built to
20 accommodate four ships loading at one time, and at
21 that time this was sufficient, but as the trade in-
22 creased, this is now entirely inadequate. If, for
23 any reason, a ship has to undergo repairs, the only
24 place for such repairs is at the loading docks. Also,
25 if any ship brings in imports, it takes some time to
26 unload and it also takes up the space at the loading
27 docks. Sometimes ships have to anchor out in the bay
28 to wait until there is room for them at the loading
29 docks. This causes a great deal of dissatisfaction
30 and costs the ship owners or charterers needless



1 expense. In 1957, 89 ship days were lost and in 1958,
2 40 ship days were lost owing to the ships not being
3 able to dock upon arrival. Official figures are not
4 available as yet for 1959, but from the unofficial
5 reports it appears that the record is as bad or worse
6 than in 1957.

7 Although the loading docks originally could
8 accommodate four ships, now owing to the larger ships,
9 only three can dock at one time, and when ships are
10 being repaired or unloaded, it reduces the loading
11 space still further. Therefore more dockage space
12 is a necessity. The policy of the Federal Department
13 of Agriculture not to inspect ships until they are
14 at the loading wharf is also a distinct deterrent to
15 the fast turn-around of ships.

16 Additional Terminal Grain Storage: Grain
17 terminal storage at Churchill at present is 5 million
18 bushels. This, in our opinion, is entirely inadequate
19 and should be increased by another five million bushels.

20 In order that sufficient grain of the various
21 kinds and grades be available for sales and loading of
22 ships upon arrival, more space is needed. Also, in
23 order that railway box cars be utilized for what they
24 are intended, namely the transport of grain, they should
25 not be held full at Churchill, because of lack of
26 sufficient storage space. Another very important
27 reason is the savings in storage charges. It costs
28 5 cents a bushel to store wheat at Churchill for nine
29 months, and 9 cents a bushel for the same length of time
30



1 at Fort William or Vancouver. We believe that with
2 increased storage, the trade would be more efficient
3 and less costly to everyone.

4 Mr. Chairman, those figures I have just quoted
5 are not exactly the way the Board of Grain Commissioners
6 mention them. At Fort William and Vancouver it is
7 1/30th of a cent per day. So, I took it at one cent a
8 month; it is very close. The other charge is as they
9 quoted it to me by letter -- 5 cents for nine months
10 at Churchill.

11
12 Railway Box Car Demurrage at Churchill:
13 Although we are given to understand that the above
14 matter is in abeyance at present, it can be activated
15 at any time. Therefore we would call to your attention
16 the following Board of Transport Commissioners for
17 Canada, Order No. 94426, dated Ottawa, May 27th,
18 1958, worded as follows:

19 "2 Rule 3 -- of the Canadian Car Demurrage
20 Rules, set forth in General Order No. 201
21 dated August 1st, 1917 is amended by adding
22 the following paragraph to the exceptions in
23 the said rule, clause (5) -- 'For unloading
24 grain cars consigned to public and semi-public
25 terminals grain elevators at Port Arthur or
26 Fort William, ten days free time shall also
27 be allowed, except that in computing such
28 free time no part of the period commencing
29 on the first day of March and ending on the
30 date of opening of navigation at Port Arthur



1 or Fort William in any year, shall be counted.'"

2 It is regretably noted that the port of
3 Churchill is not allowed or included to receive a similar
4 computation of additional free time. This, in our
5 opinion, is very unfair as although Churchill is a
6 tidewater port, the existing conditions, owing to
7 climatic conditions are similar to Port Arthur or
8 Fort William.

9 We therefore urgently request your honourable
10 Commission to recommend that if and when demurrage is
11 charged on loaded box cars of grain at terminal ele-
12 vators, that Churchill be given the same rights as Port
13 Arthur-Fort William.

14 Shipment of Grain from C.P.R. Points to
15 Churchill: There is a very large area, mostly in
16 Saskatchewan, from where it is cheaper to ship grain
17 to Churchill than to either Fort William or Vancouver,
18 owing to the shorter rail haul. However, we find that
19 any point on the C.P.R. within this area does not
20 ship grain to Churchill, as the C.P.R. has no line
21 into Churchill. The result is the grain from such
22 points is shipped to Fort William at a higher rail
23 cost, and then sold for less money than at Churchill.
24 This would appear to us as not only contributing to
25 the higher costs of railway transportation, but very
26 poor business from the producer's point of view. We
27 therefore would urgently suggest that some alteration
28 be made to rectify this.

29 Grain Storage in Newfoundland: We have been
30



1 informed that shipments of wheat from Churchill will
2 have to be limited, owing to the limited storage in
3 Europe, and the reluctance of Canadian authorities to
4 hold wheat overseas until sold. These same conditions
5 existed fifty years ago when our wheat was shipped by
6 other routes. However, this was overcome by building
7 storage at the lakehead and Montreal, and other eastern
8 points.

9
10 Nevertheless, the wheat at the lakehead and
11 Montreal is frozen in for from five to six months of
12 the year, and is not available to our European customers
13 during that period. We claim that as wheat from what
14 we call the Churchill "preferential" area can be
15 shipped to Churchill cheaper, and be sold for more money,
16 why not use this route more than at present? In our
17 opinion grain storage should be built in Newfoundland,
18 and wheat shipped to Churchill (over normal sales) be
19 loaded onto ocean ships and taken to Newfoundland
20 (the same as we do on the Great Lakes) stored there
21 for winter sales to Europe. Newfoundland is part way
22 over to Europe, so this operation would not add very
23 much to the cost and would still show a great saving
24 over the costs of the Great Lakes-Montreal route,
25 and perhaps capture winter markets that we may now be
26 losing. We therefore urgently request that an
27 immediate investigation be undertaken to making some
28 port in Newfoundland a transshipment port for handling
29 Churchill trade and other Canadian trade that could be
30 economically handled there.



1 Extension of Shipping Season: Since the
2 route was first used in modern times, the shipping
3 season has been extended, both opening and closing
4 dates. The season now extends from midnight on
5 July 22nd at Chidley Island, at the mouth of Hudson
6 Straits, until October 15th at Churchill, and with
7 an additional payment of 25 per cent on insurance
8 rates, can be extended until October 20th. This is
9 the period covered by Marine Insurance.

10 I would like to interject here: perhaps you
11 all know, but we have put a map on the board in order
12 to let everyone see what Canada looks like, and I don't
13 mean to be sarcastic about it, but it is surprising
14 when you look there and realize that the ocean comes
15 within a few hundred miles of your doorstep, and yet,
16 for years and years we have been paying railways high
17 railway rates in order to run around that part of the
18 ocean, and in doing it a thousand miles further than
19 need be.
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1 We are strongly of the opinion that the
2 shipping season can be lengthened, both at the beginning
3 and close of the season. Our own Canadian Government
4 Meteorological Services have records to prove that ice
5 has broken up in Churchill harbour as early as in May
6 (1936) and the harbour has been free of ice as late as
7 mid-November. Many prominent seafaring men in the
8 past, have gone on record as favouring the Hudson Bay,
9 such as Captain Barlett, a member of Peary's North
10 Pole expedition who stated "The Hudson Strait is the
11 safest body of water to navigate in the world for many
12 months of the year. There is almost persistent day-
13 light, with few fogs such as we encounter in the St.
14 Lawrence. The Hudson Bay Route is an outlet for
15 products which will save Canadian producers millions
16 of dollars in rail and handling tolls."

18 How true his words have come to be, as we have
19 already saved millions of dollars by shipping wheat
20 out through Churchill.

21 It is a matter of record that Henry Hudson,
22 the man who discovered the Hudson Bay in the year 1610,
23 was cast adrift by his crew on June 22nd, 1611 in
24 Hudson Bay, when they were returning home to England.
25 It is also a matter of record, even in our modern
26 times, that ships have left Churchill harbour as late
27 as November, and encountered no difficulties. In
28 1958 one ship, the "Federal Explorer" left Churchill
29 on October 28th loaded with feed and screenings for
30 Montreal and had no difficulties.



1 The following extracts taken from the
2 reports of Captain James Knight, over 240 years ago,
3 are significant. "July 14th, 1717 -- we arrived
4 this day at two o'clock off of Churchill River Mouth
5 but did not get in until 5."

6 In other words, 240 years they were held up
7 for three hours and today we are held up for an extra
8 month. Aren't we making progress?

9 MR. DOHERTY: Q. In paragraph 45 you mentioned
10 comments made 240 years ago. Have you any more recent
11 comments with respect to the use of Churchill that you
12 would like to bring to the attention of the Commission?

13 A. Yes, Mr. Doherty, I have one comment
14 here I would like to show of more or less modern times.

15 The federal government appointed what I
16 imagine would be a Commission under the chairmanship
17 of N. B. McLean, officer in charge, Hudson strait
18 expedition of 1927-28, over thirty years ago, and
19 it said:

20 "In regard to the opening of the strait
21 in the early summer, it is a matter of record
22 that on July 19, 1927, the S.S. Nascoope of the
23 Hudson's Bay Company, was the first vessel to
24 proceed west, followed by C.G.S. Stanley and
25 the S.S. Larch on July 27th. In 1928,
26 the power schooner Morso passed inwards July
27 21, arriving at Wakeham Bay, July 24, and on
28 the same date the S.S. Larch arrived at Port
29 Churchill".
30



1 "Taking July 19th as an opening date for
2 the strait and November 16th when ice was
3 first reported at Nottingham in 1927, as a
4 closing date, we get a season of 120 days or
5 practically four months, during which commercial
6 vessels could have navigated with safety and
7 without the assistance of icebreakers."

8 That is thirty-three years ago, and today we
9 have got a season of 89 days. Surely -- are we making
10 progress, or are we going back to the dark ages?

11 We have other reports of the Imperial Shipping
12 Committee, Mr. Chairman. As a matter of explanation
13 to the members of the Commission, the Imperial Shipping
14 Committee is a body we set up to study the complaints
15 and make suggestions with regard to shipping routes
16 servicing the British Commonwealth. They were called
17 Imperial Shipping Committee, and after 1935 it was
18 changed to the Commonwealth Shipping Committee, and in
19 1931 the Imperial Shipping Committee makes this state-
20 ment:
21

22 "Churchill ought to be safe for shipping
23 from the time that the earliest vessel can
24 get through the strait until the middle of
25 October and in some seasons until much later.
26 The port itself is, as a rule, quite free from
27 ice during the three months August to October,
28 and it is probable that such ice as may collect
29 during the latter half of October could be
30 dealt with by an icebreaker."



1 This was thirty-three years go when they made
2 the report.

3 Now, we come up to recent times. It says:

4 "It will also be noted that, following our
5 examination of this problem over so many years,
6 we expressed the view that the Hudson Bay route
7 was/adequately charted and equipped with naviga-
8 tional aids, and that the route not be con-
9 sidered more hazardous than the St. Lawrence
10 route."

11 Now, this is dated 1951, and today we still pay 25 per
12 cent more marine and hull insurance on the Hudson Bay
13 than we do on the St. Lawrence River.

14 Now, I do not wish to take up too much time,
15 but we have the various reports of the Commonwealth
16 Shipping Committee, and every one of them go along the
17 same line, that Churchill can be quite safely navigated,
18 by the reports of the ice conditions, for all of October,
19 and it is possible to enter the season earlier.

20 Now, the Canadian government have established
21 a very, very fine service -- that is their Meteorological
22 Branch where there are ice reconnaissance planes. We
23 are very highly pleased with the service they are
24 rendering, the type of men, and the information they
25 are giving. And in ships equipped with radar, and
26 the various depth compasses and such like, it appears
27 to us there is nothing whatever to prevent the season
28 opening a week earlier, and being open for the entire
29 month of October.
30



1 We see no reason whatever why there should be
2 an additional premium on insurance, because there is
3 nothing anywhere to show that the premium should be
4 higher. Accident rates and such like compare very, very
5 favourably with the St. Lawrence route, and we have
6 captains' statements here stating quite openly that
7 they would much rather travel the Hudson Bay route than
8 the St. Lawrence route; it is safer.

9 I am not a marine man, and we have very few
10 marine men with us here, I suppose; but, after all, you
11 have to take this evidence as submitted by those quali-
12 fied marine people.

13 Surely with our modern ships, together with
14 our safety measures such as radar, radio, reconnaissance
15 planes of the ice patrols, icebreakers, etc., we can
16 do better than our forefathers, who had none of these
17 things to assist them.

18 We earnestly urge your honourable Commission
19 to recommend to the Canadian Government that they take
20 immediate action to have the shipping season on the
21 Hudson Bay extended and covered by marine insurance at
22 the same rates that are charged on the St. Lawrence.

23 Highway Facilities into Churchill: By the
24 foregoing evidence you can plainly see that the Hudson
25 Bay route is now an established entity in our economy,
26 and will grow in importance each year. We have not
27 touched upon the other important factors, such as
28 establishing settlements and industries, also hunting,
29 fishing and tourist attractions. The territory from
30



1 The Pas to Churchill extends for a distance of 510 miles,
2 with a great variation in the surface makeup -- some
3 good agricultural land, muskeg, sand, rock, timber,
4 etc. It all lends itself to development of various
5 kinds, which should and will take place some day.

6 The lakes and rivers are very beautiful and
7 the whole country is a tourist paradise. The waterfalls
8 can be used for power development. However, in this
9 modern age it is impossible to carry out any economical
10 plan of development when service is only by rail or
11 plane. It is in our opinion absolutely necessary that
12 an all-weather highway be completed from The Pas to
13 Churchill as soon as possible. There are now highway
14 facilities from The Pas to some points along the line,
15 and some more miles are added each year. However, we
16 feel that this method is too slow, as it will take many
17 years to complete. We therefore request that the
18 federal government take the burden from the Province
19 of Manitoba and proceed to complete this highway, as we
20 feel it is in the national interest, both from economic
21 and military standpoints. We must remember that
22 Churchill is our furthest north military base and at
23 present has no highway leading into it.

24 Q. Well, Mr. Gray, have you perhaps some
25 other thoughts which you would like to suggest here as
26 to how this highway might perhaps be built into Churchill?

27 A. Well, yes, our organization is not
28 particularly interested in stating that we have the
29 competence to stream the thing out. We are here to
30



1 show the evidence of the results of what is going on;
2 but we can make suggestions. We feel that it has been
3 recognized by Canada and the United States, apparently,
4 that Churchill is a strategic military point. It seems
5 rather peculiar ---

6 THE CHAIRMAN: There would be a highway, I
7 suppose, to Flin Flon from The Pas now?

8 THE WITNESS: Yes.

9 THE CHAIRMAN: And, as far as Cranberry.

10 THE WITNESS: Flin Flon is 500 miles from
11 Churchill. There is a long, long way across from
12 there, and we feel that if the United States of America
13 found it necessary to put the Alaska Highway through
14 for military reasons when we were at war, it might be
15 too late to start building a highway, if we ever got
16 into another war.

17 We think perhaps it might be a good military
18 plan to shove a highway through the Churchill military
19 base. Perhaps it could be done as a military achieve-
20 ment by using the military men, equipment and
21 machinery, and charge it up to the military budget.

22 THE CHAIRMAN: Charge it to defence?

23 THE WITNESS: Yes, to defence. We would
24 have a military road, and you would also have one of
25 the best highways for tourists, for establishing
26 businesses of every description, and that is the only
27 suggestion that I would make.

28 It has just been drawn to my attention that
29 the highway is partially completed, because they are
30



1 going to build in the Thompson area, where International
2 Nickel have a huge development. I might say, further
3 up they have another huge development at Kelsey Rapids,
4 and that they will have to have highways going in there.
5 The way it is now it is something like the old home-
6 stead days -- you bought a calf one year, a pig
7 the next, a chicken the next, and it took about forty
8 years to get established. We feel it could probably
9 be speeded up a little bit better.

10
11 Now, we come to the economic value of the
12 Hudson Bay Railway.

13 Even with the disadvantages that the Hudson
14 Bay Line has had to overcome, nevertheless it has served
15 a worthwhile purpose in the development of Northern
16 Manitoba, as well as assisting in the settlement of
17 this part of Canada. From The Pas to Churchill there
18 are many sizable communities and mineral developments,
19 providing a living to many people. Just to mention a
20 few, such as Mile 39, where we get our famous "Pink
21 Marble" which is used in many public buildings in
22 Canada. Eighty-two miles from The Pas we have
23 Wekusko where connections are made with the Snow Lake
24 mining town. One hundred and thirty-seven miles from
25 The Pas we come to "Waboden", a sizable community, where
26 the Brandon, Manitoba, Experimental Farm operates a
27 branch in the development of various agricultural ex-
28 periments. One hundred and eighty-five miles from
29 The Pas we come to Thicket Portage where commercial
30 fishing uses the railroad to ship out their products



1 taken from a large surrounding area. We then come
2 to Sipiwesk, Mile 200. From this point a 30-mile
3 railroad runs to Thompson, the operations of the
4 International Nickel Company. They are spending over
5 \$200 million and are in the process of building a
6 city which will have a population of from 5,000 to
7 8,000 people in the near future. They claim in
8 the next three years; I say in the near future.

9
10 We then come to Mile 256 where again there
11 is a railway spur line, 14 miles long going to the
12 Kelsey Dam on the Nelson River, where the Manitoba
13 Government and the International Nickel Company are
14 spending over \$20 million in order to produce power for
15 a large area of development in Northern Manitoba. Then
16 we come to Ilford, where thousands of tons of freight
17 are unloaded from the railway cars and taken by tractor
18 train to many points, as far away as 130 miles. We
19 then come to Gillam, a divisional point on the railroad
20 and a sizable community.

21 And then, at the end of the line, we have
22 Churchill, a community of approximately 1400 souls.
23 Here you find all the modern services that you will
24 find in any town the same size anywhere, also terminal
25 facilities and a huge military base.

26 It is quite possible that if the Hudson Bay
27 line had not been built, that all of the foregoing
28 might not be there, or at any rate the development
29 certainly would not have been so advanced, and it is
30 surprising that with the obstacles that have been



1 encountered, so much has been accomplished. We wonder
2 how much more would have been accomplished if this
3 railroad had been given the same consideration as other
4 railroads in Canada.

5 It is a well known fact that where any
6 development takes place, not only does this produce
7 tonnage of materials coming out, but at the same time
8 there is usually an equal or greater tonnage of
9 machinery, materials, food, clothing, etc., going in,
10 and this means that tonnage shipments will be increased
11 both ways. In justice to northern development and
12 those engaged in this work, freight rates should be
13 reduced to a level that assist, rather than retard
14 this development.

15 Summary: Honourable sirs, we have tried
16 by presenting this brief to you to show what our
17 organization is, and what we are trying to accomplish.
18 We have also tried to show you the obstacles that are
19 confronting the successful operations of the Hudson
20 Bay route. We have made suggestions in good faith,
21 in order to eliminate or alleviate those difficulties
22 we are encountering.

23 In our opinion the following objectives must
24 be obtained in order that the Hudson Bay route may have
25 an equal chance of success with other routes:

- 26 1. Railway freight rate equality with other lines.
- 27 2. More ship dockage space.
- 28 3. Additional grain storage at Churchill.
- 29 4. Shipments of grain from C.P.R. points to
30 Churchill.



5. Terminal grain storage at Newfoundland.
6. Extension of the shipping season at lower marine insurance rates.
7. Highway facilities into Churchill.
8. More publicity in regard to the economic value of this route to the west and Canada as a whole.

As has previously been stated, the Hudson Bay Railway and the Hudson Bay route have been subjected to perhaps more discussion than any other railway or route in Canada during the past many decades. It has only progressed by reason of the determination and continuous promotional agitation by the people of the West, who are becoming more and more aware of the economic value of this route to Canada, and to the development of our Northland. It is therefore necessary that immediate action be taken to remove those obstacles standing in the way of further and continuous progress.

We fully realize that all frontier developments have to contend with obstacles that are not encountered by established business. Nevertheless it behooves each and every one to try to remove those obstacles in so far as we have the power to do so. The Hudson Bay Railway and the Hudson Bay Route have many obstacles that we believe are militating against its successful operation, and they can and should be removed. Hence the foregoing submission to you.

Honourable Commissioners, we earnestly and urgently request you to consider our evidence and hope that you will see fit to take action to assist us in this great development.



1 MR. DOHERTY: Mr. Chairman, may I ask that
2 the map on the front of this document be taken into the
3 record. We have the plate and will supply that to
4 the secretary.

5 THE CHAIRMAN: Yes, we can arrange that.

6 MR. DOHERTY: May I also ask that the appendices
7 at the back of the submission be taken into the record
8 as an exhibit?

9 THE CHAIRMAN: Well, now, there is a booklet
10 here; do you want that taken in?

11 MR. DOHERTY: I would like to file it as an
12 exhibit along with the other appendices.

13 MR. COOPER: I would suggest that Appendix "A"
14 and Appendix "B" be taken as Exhibit 99. I don't think
15 that Appendices "C" and "D" need be taken as an exhibit
16 because they are just, in the case of Appendix "C", a
17 copy of Section 468 of The Railway Act, and Appendix
18 "D" is General Order No. 853, dated November 16, 1959,
19 of the Board of Transport Commissioners.

20 THE CHAIRMAN: We have those.

21 MR. DOHERTY: That is quite satisfactory.

22 MR. COOPER: Reference can be made in the
23 record to Appendices "C" and "D", but Appendices "A"
24 and "B" can be marked as Exhibit 99.

25 ---EXHIBIT NO. 99: Appendices "A" and "B" to
26 submission of the Hudson Bay
27 Route Association.

28 MR. DOHERTY: Thank you.
29
30





CROSS-EXAMINATION BY MR. COOPER:

Q. Mr. Gray, there are just some points in the submission on which I would like to put a few questions to assist the Commission in the full understanding of it. On page 4 you set up various figures, imports and exports, via the Hudson Bay route.

Now, I assume that those are National Harbour Board figures; is that correct?

A. That is right.

Q. And the export bushels of wheat, for example, are not the Board of Grain Commissioners' figures on the crop year, but are on the calendar year, or what is it?

A. They are based on the calendar year.

The calendar year of Churchill, that year's shipments, the shipments that year.

Q. Yes.

A. Churchill doesn't run over the year end. Churchill's shipments are from when the first boat gets in and the last boat leaves. It is all within the one year.

Q. In your letter from Arbuckle, Smith & Company (Canada) Limited appearing on page 7, there is a reference to a brief, and I believe you said in your evidence that that brief was one which had been submitted to the federal government; is that correct?

A. Correct.

Q. In that brief was the federal government being asked to consider any matters that you are asking



1 the Commission to consider here?

2 A. Yes.

3 Q. Such as additional wharfage, I suppose?

4 A. Yes.

5 Q. And additional grain storage capacity,
6 forward positions in Newfoundland, and so on?

7 A. Yes.

8 Q. Would it be correct to say that all the
9 matters which you have raised here were contained in
10 the brief to the federal government?

11 A. Well, I wouldn't like to say all. There
12 may be one that I am not sure about. I haven't got a
13 copy of that federal brief with me, but I think that
14 would be correct to say.

15 Q. Perhaps the difference would be that here
16 you put the emphasis on freight rates and mention
17 horizontal percentage increases, and so on, which per-
18 haps wouldn't be contained in your brief to the federal
19 government?

20 A. Yes, that was in the brief, too.

21 Q. That was in there?

22 A. Yes.

23 Q. Now, what action, if any, was taken on
24 the matters raised in your brief by the government, or
25 is it still under consideration, or what is the situation?

26 A. Yes, the federal government are apparently
27 taking action to increase the wharfage space; that is
28 coming through. We don't know how long it will take.
29 Some of them say two years, some three, some four and
30



1 some five, but they are going to increase the ship
2 wharfage space.

3 Q. That is one thing which you mention in
4 the brief that is being taken care of?

5 A. Yes. In presenting our brief on
6 freight rates we presented it to the representative;
7 we couldn't find the Board of Transport Commissioners,
8 but we had a session with the director and he informed
9 us that he didn't want to tackle it; he said he thought
10 it was up to the Province to appoint a commission and
11 look into it and they could solve the problems, and
12 that is why we are here.

13 Q. In your suggestion to establish grain
14 storage capacity in forward positions in Newfoundland,
15 have you any idea or have you received any estimate on
16 the cost of establishing facilities in Newfoundland?
17 I think that Bay Despair has been mentioned as one
18 point where such facilities might possibly be establish-
19 ed, but have you any estimate of the cost of establishing
20 such facilities?

21 A. No. That is not our business to
22 establish the cost of anything or to give -- our
23 organization is not an organization to supply and go
24 into this. As a matter of fact, I did have a group
25 of architects who wrote from Newfoundland and offered
26 to draw up the plans for our new elevator in Newfound-
27 land, and they didn't give me an estimate on cost.

28 Q. They were prepared to do the work,
29 though?
30



1 A. Yes, they were prepared to do the work.
2
3 Of course, I presume they would want to be paid.

4 MR. MAURO: Did any lawyers write you?

5 THE WITNESS: No, no lawyers, but we feel so
6 far as the cost is concerned, and so far as most of the
7 people connected with our organization in an official
8 capacity, such as Mr. Woodward and myself, we are
9 not exactly chickens in the development of the West,
10 we are pioneers of the West, and when we first started
11 building our storage at Fort William and Port Arthur,
12 if somebody tells what the cost would be today, we
13 would really have to go and hide in a gopher hole,
14 but we went ahead and built the necessary storage
15 to handle the products without giving very much con-
16 sideration to what it was going to cost. It had to
17 be done, and we felt the same thing with Newfoundland,
18 it has to be done. We are pricing ourselves out
19 of the world's market by adding 10 cents a bushel onto
20 the price of a bushel of wheat when it is unnecessary,
21 from the west.

22 MR. COOPER: Q. You mention the matter of
23 the bridge subsidy, \$7 million has been paid now, and
24 you suggest that the railway into Churchill should re-
25 ceive the bridge subsidy, or a part of the bridge
26 subsidy, so I don't quite understand the submission
27 which you were making. Are you suggesting that there
28 should be an additional subsidy over and above the
29 amount of \$7 million, or that the Hudson Bay Railway
30 should receive some part of that amount of money?



1 A. Section 468 of the Railway Act distinctly
2 sets out that the Canadian Pacific Railway Company and
3 the Canadian National Railways shall participate in
4 this subsidy within a certain area, and so on. All
5 we want to do is add in another line, the Hudson Bay
6 Line railway, that it also shall participate. I
7 am not telling them how much money to give or how to
8 do it, but just to let us in on the same basis that
9 they are.

10 Q. That would, of course, I presume, entail
11 an additional subsidy from the federal government based
12 on cost of maintaining trackage, or whatever the test
13 might be on the railway into Churchill?

14 A. Not necessarily, no. The federal
15 government have budgeted \$7 million for this purpose.
16 Okay. Then, they can just add the Hudson Bay Line;
17 dip into the \$7 million, and then along with the other
18 two there will be three hands in the pocket instead of
19 two.

20 Q. Perhaps that is a very graphic way of
21 putting it.

22 A. It is one of the old-time ways.

23 Q. On page 8, paragraph 20, Mr. Gray, you
24 say:

25 "You will note from the above that it is
26 cheaper to ship from Vancouver to points served
27 by the same railroad on the prairies than
28 from Churchill to points on the competitors'
29 line."
30



1 A. That is right.

2 Q. I believe it would be true to say that
3 it is somewhat cheaper to ship from Churchill to points
4 on the same railroad than it would be to ship from
5 Vancouver to points on the same road?

6 A. Not the same mileage, no.

7 Q. Not the same mileage, but, in fact, it
8 is, I believe, somewhat cheaper to ship from Churchill,
9 we will say, to Saskatoon -- I know there is a difference
10 in mileage -- than it would be to ship from Vancouver to
11 Saskatoon over the lines of the Canadian National
12 Railways?

13 A. We find that the basic rates are the
14 same regardless of the other mileage. We find from
15 Vancouver the agreed charges and on the commodity rates
16 which don't apply on the Hudson Bay line to any great
17 extent, make the shipping from Vancouver very much
18 cheaper than from Churchill. However, this case that
19 you are looking at has nothing to do with that. This
20 case opens up with Churchill having only one railway
21 and has no other choice but to ship out of Churchill
22 by Canadian National Railways, and to get to Swift
23 Current we have to take another railway, and by so
24 doing it increases your freight rate and you have no
25 choice in the matter.

26 Q. It is the problem of the two-line haul?

27 A. Yes, but from Vancouver you don't run
28 up against that.

29 Q. But if you were shipping to some point on
30



1 the prairies on the Canadian National Railways you
2 wouldn't have that problem?

3 A. Not that particular problem, no.

4 Q. And those points are by Saskatoon,
5 Regina and Winnipeg, and other points. Now, I only
6 have one or two more points that I want to cover.

7 You mention the matter of marine insurance,
8 and I would presume that that matter is in the hands of
9 the insurance underwriters, is it not?

10 A. I am not quite clear myself; I don't
11 know who is clear or who actually handles the business.
12 We have Commonwealth Shipping as a representative on
13 it, and they make recommendations to the joint committee,
14 and they in turn make recommendations to the under-
15 writers, whoever they are, and the underwriters set
16 the rates. Now, I have tried through various insurance
17 companies to find out who actually is responsible, just
18 who is it that sets the rate, and I haven't got that yet.
19 It is the sort of thing where the underwriters meet
20 together and set the rates, and apparently the
21 Commonwealth Shipping Committee recommends to them.
22 That is all I can answer on that.

23 Q. You are not suggesting, are you, that
24 increased marine insurance rates, or the bill for
25 increased marine insurance rates, should be a charge
26 on any government if the shipping season were extended?

27 A. No, we are not suggesting a charge on
28 any government of anything. All we are saying is that
29 we believe that a government is basically, in a democracy
30



1 -- the government is representing the people, and it is
2 their duty to protect their citizens from any and all
3 injustices where the citizens are unable to protect
4 themselves, and we feel that the citizens and the people
5 who are trying to get these things for the Hudson Bay
6 road are being unjustly discriminated against, and we
7 are asking our government to take the necessary action,
8 whatever that may be; it may be the writing of a letter
9 or the sending of an individual over to talk to the
10 underwriters, and it may be placing the facts before
11 them for them to take the necessary action to see that
12 we get a fair deal, the same deal as the St. Lawrence
13 is getting. We are not asking the government to give
14 up any money at all.
15

16 Q. Thank you.

17 CROSS-EXAMINATION BY MR. HUME:

18 Q. Mr. Gray, I represent the Canadian
19 Trucking Association, and without referring you to a
20 page in your brief, as I interpret part of your brief
21 you want an all-weather highway, and one of the reasons
22 which you have in mind -- the only reason -- is that you
23 hope that that might bring competitive rates and
24 agreed charges so that your freight rates would go down
25 at Hudson's Bay; is that correct?

26 A. Unfortunately, I have to admit that that
27 is one of our reasons, but we still claim that that is
28 a very, very foolish reason, because if we had another
29 railway line built into Churchill today, we would get
30 cheaper freight rates and both of them would lose so



1 much money that the people would have to subsidize it.
2 It seems so silly, that you can't do it with the
3 existing principle you have.

4 Q. If you had ^{another} railway line they, too, would
5 compete among others?

6 A. Like they have done in Mr. Arbuckle's
7 letter.

8 Q. And while the rate that the railways
9 file may appear to be the same rate, it is the result
10 of normal competition between railways?

11 A. I don't know whether you would call it
12 normal competition; I would say competition, leave
13 the word "normal" out.

14 Q. One of the reasons you want highway
15 transportation is that you want an additional competitive
16 force to be brought upon the railways?

17 A. That is one of the reasons, but not the
18 main one.

19 Q. I realize that, but then the revenue
20 lost by the competitive forces imposed by the highway
21 transportation, that revenue, as Mr. Downing pointed
22 out, has to be paid by somebody else. Mr. Downing,
23 the last witness, was discussing with me this problem,
24 and said that whenever the trucks forced the com-
25 petitive rate he didn't think it was a very good idea
26 because then that lost revenue had to be paid by some-
27 body else, presumably a prairie farmer, and I am asking
28 you if you share Mr. Downing's views as to that theory?

29 A. I have known Mr. Downing for about thirty
30



1 years, and his operation, and I am a Scotsman and I
2 don't think we ever did agree with an Irishman, but
3 I don't agree with everything that has been said.
4 Our president Mr. Woodward told me that the Canadian
5 National Railways got 500 miles of line given to them
6 for nothing, and if they couldn't compete with trucks
7 without asking somebody to hand out some money, there
8 is something wrong.

9 Q. I will assure you that I am not neces-
10 sarily on behalf of your client agreeing with Mr.
11 Downing alone. I just wanted your views. Thank you.

12
13 CROSS-EXAMINATION BY MR. DICKSON:

14 Q. Mr. Gray, first of all may I congratulate
15 you and Mr. Woodward and those associated with you on
16 the presentation and preparation of this material, and
17 it is quite obvious that a lot of work and effort has
18 gone into it.

19 A. Thank you.

20 Q. On the map at the front of your brief --
21 and I am very interested in this -- there is a dotted
22 line which you call "projected railroad", and I don't
23 think that is mentioned in the narrative, and I was
24 wondering what line that is which you show from Gypsum-
25 ville to Waboden?

26 A. We have a rather peculiar thing here;
27 we have the Province of Manitoba with one of the best
28 seaports within its borders, and the citizens of the
29 Province of Manitoba have no way to get to it unless
30 they walk or fly, and we are suggesting that when they



1 have to pay shipping charges on goods coming from Winnipeg
2 into Saskatchewan and then go back into Manitoba and
3 across to Churchill, that it becomes ridiculous, and
4 if there was a line built somewhere where Winnipeg had
5 a more direct connection, and we figure that this is it
6 here, from Gypsumville to Waboden.

7 Now, as I told you preveiously, we are not
8 saying that is where it should go, we are just saying
9 that when you look at the map, "How do I get from here
10 to there to get across the country?"

11 Q. Is it part of your submission that that
12 should be constructed, or not?

13 A. Part of our submission to say that.
14 That is why the map is there.

15 Q. You mentioned in answer to one of the
16 questions of Mr. Cooper -- you said something about when
17 we built the terminal space at the lakehead, in spite
18 of so and so , we went ahead and did it. Now, you used
19 the word "we", and I was wondering were you associated
20 with one of the ---

21 A. No, I am sorry, I misused that word. I
22 didn't mean the Hudson Bay Route Association, I meant the
23 people of the West.

24 Q. The people of the West?

25 A. Yes.

26 Q. On page 5 you speak of coastal trade
27 through the port; you speak of inward coastal trade
28 and outward coastal trade. What do you mean by the
29 coast, where does that trade ---
30



1 A. That is what you might call domestic
2 trade. I believe there are 27 or 28 outposts.

3 Q. Arctic islands?

4 A. Outposts or small places and communities,
5 and such like, and then they are taking in goods from
6 us coming in. We will have a mining concern that is
7 bringing stuff in to Churchill.

8 Q. You mentioned Rankin Inlet?

9 A. Yes, but with the coastal trade, it is
10 the goods coming out and the supplies coming in.

11 Q. Where do those supplies originate?

12 A. Some of them may originate -- the govern-
13 ment icebreakers -- so-called icebreakers -- are sent
14 up to Churchill as supply ships from Montreal, and I can't
15 tell you where they come from. They are loaded from
16 there. Some of them are shipped in from this angle
17 on the railway to Churchill and go out to these places.

18 Q. When you speak of "coastal" you are
19 speaking of islands to the north and coastal points
20 along the mainland?

21 A. Yes.

22 Q. At page 12 you speak of this recommended
23 additional terminal grain storage. Mr. Cooper asked
24 you about the storage to be constructed at Newfoundland:
25 have you costed the terminal facilities to be repre-
26 sented by this 5,000,000-bushel capacity at Churchill?

27 A. No, we haven't. The cost of these
28 terminals and other elevators -- some of my wheat pool
29 friends and line elevator men tell me the costs are
30



1 based on so much per bushel. I think the last I heard
2 was that it would cost a dollar a bushel.

3 Q. I think it is 80 cents, but it is more
4 likely to be a dollar.

5 A. If the technician says 80 cents, you can
6 figure on one dollar when you pay for it. At that rate
7 it may cost \$5 million, but we are not worried about
8 that. The federal government have got people there
9 to do that job, and we don't want to deprive anyone of
10 a job.

11 THE CHAIRMAN: We will adjourn now until
12 3.15 p.m.

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15 ---Luncheon adjournment.
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1 ---On resuming at 3.15 p.m.

2
3 THE CHAIRMAN: I think we can start, gentle-
4 ment. My colleagues will be here shortly. Mr. Balch,
5 unfortunately, is laid up with a cold, and he is not
6 coming this afternoon. However, you go ahead, Mr.
7 Gray. Mr. Dickson?

8
9 MR. DICKSON: I don't think I have any more
10 questions, Mr. Chairman.

11 CROSS-EXAMINATION BY MR. MAURO:

12 Q. Mr. Gray, first off I would like to
13 congratulate you and Mr. Woodward and, through you,
14 your Association for the interest and effort that went
15 into preparing this brief. I think it is very
16 challenging to see the interest shown in what has been
17 referred to as the last great frontier of Canada -- the
18 North Country. I certainly think the Hudson Bay Route
19 Association has taken a very active part in the develop-
20 ment of that area to date.

21 You touch on a few of the matters that are of
22 concern to that area, and, as you know, the Province of
23 Manitoba, whom I represent, are extremely interested
24 in the development of Northern Manitoba, particularly
25 that Churchill area. In our submission two or three
26 days ago in Winnipeg the Minister of Industry and
27 Commerce was suggesting that perhaps a lower rate from
28 Churchill might have the beneficial result for the
29 railways of lessening the empty return movement of box
30 cars moving up there with wheat, and I wonder whether



1 you have any opinion on that particular aspect of it?

2 A. Yes, we definitely do. Mind you, we
3 are not asking for undue lower rates. All we are
4 asking is for fair rates, compared with other parts of
5 Canada under like circumstances, and we know it will
6 increase trade on the railway because we can get more
7 imports and we need much more imports coming through
8 Churchill. That is one of the main things stopping
9 imports coming into Churchill.-- the high insurance
10 rate on the ocean and the high railway freights where
11 no bridge the gap subsidy exists.

12 Q. And it would appear from your close study
13 of it that it would be good business on the part of the
14 railroads since they are bringing back these empty cars?

15 A. Yes.

16 Q. They are bringing up grain, and these are
17 clean cars, and if there were lower freight rates
18 it should add to the revenue of the railway because
19 they would have additional traffic moving?

20 A. Yes.

21 Q. One of the other ideas put forward by
22 the Province of Manitoba is the possibility of develop-
23 mental rates in Northern Manitoba so as to encourage
24 industrial development which should result in both the
25 development of our part of the country and additional
26 revenues to the railway, because it would bring about
27 industrial expansion which would result in increased
28 traffic to the railway; do you agree with that policy?

29 A. I agree with that too.
30



1 Q. One other idea that I believe Mr. Evans
2 put forward in the field of northern development was
3 that, if necessary, a subsidy plan be introduced by the
4 federal government to encourage the development of this
5 region, and this is not an unheard of method because we
6 have subsidy schemes in the maritime regions and also
7 covering various aspects of our national economy, and
8 as a final attempt the Province of Manitoba has
9 suggested, if necessary, we even introduce a subsidy
10 scheme on the handling of rail traffic into Northern
11 Manitoba in order to encourage this industrial ex-
12 pansion.

13
14 A. You mean a Province of Manitoba subsidy
15 or a federal subsidy?

16 Q. No, it would be federal.

17 THE CHAIRMAN: Thank you for your question,
18 Mr. Gray.

19 THE WITNESS: I just wanted to clarify it.

20 MR. MAURO: Q. I certainly want to clarify
21 it too. You perhaps recall that the Arthur Little
22 Report underscored the almost essential character of
23 transportation in the development of Northern Manitoba?
24 As a matter of fact, I would say that in the Arthur D.
25 Little Report they said there was no other aspect more
26 important to the development of Northern Manitoba than
27 transportation -- that it was the prime factor that had
28 to be adjusted?

29 A. That is correct.

30 Q. And they went so far as to say that if



1 the Canadian National Railways would not give decent
2 rates that the Province of Manitoba should ask the
3 federal government to take over the Hudson Bay railroad
4 and then we could join British Columbia with our own
5 provincial railroad and institute the necessary lower
6 rate.

7
8 MR. SINCLAIR: The Little Report, I am sure,
9 never used the word "decent".

10 MR. MAURO: No, I am sure it did not. I
11 will use the word "satisfactory".

12 COMMISSIONER ANSCOMB: Do I understand you
13 to say, Mr. Mauro, you wanted the national government to
14 take over my railroad?

15 MR. MAURO: Oh, no. We said that under this
16 report it was suggested that if a satisfactory arrange-
17 ment could not be worked out regarding freights on
18 the Hudson Bay railroad, that the Province of Manitoba
19 request from the federal government that they transfer
20 to the Province of Manitoba title to the Hudson Bay
21 railroad.

22 COMMISSIONER ANSCOMB: I thought you said
23 something about the British Columbia railroad.

24 MR. MAURO: Then I said that we would be
25 in the position of the Province of British Columbia
26 with the P.^{great}.E.; we would have our own railroad.

27 COMMISSIONER ANSCOMB: Oh, I see; I beg your
28 pardon.

29 MR. SINCLAIR: Perhaps Commissioner Anscomb
30 might have thought there was an opportunity of making



1 a sale.

2 COMMISSIONER ANSCOMB: I don't want it on
3 a contingent liability basis.

4 MR. SINCLAIR: No strings attached in Manitoba.

5 MR. MAURO: Q. Mr. Gray, I assume your
6 association would be in favour of some policy of inter-
7 line rates that would permit the shipping from points
8 on C.P.R. lines to Churchill at comparable rates?

9 A. Certainly, certainly.

10 MR. MAURO: I think that is all.

11
12 CROSS-EXAMINATION BY MR. MACDOUGALL:

13 Q. Mr. Gray, on behalf of Canadian National
14 I would also like to compliment you and the Hudson Bay
15 Route Association on your submission. We have the
16 honour of serving that line, and you and I have had
17 the pleasure of meeting before each time we have been
18 in Western Canada on a proceeding of this nature when the
19 forum that has been meeting has had the pleasure of
20 hearing from your Association. I think also the fact
21 that you and I both are Scotsmen will result in us
22 getting along better than the Scotch and the Irish.

23 THE CHAIRMAN: You are one of the revised
24 Scots.

25 MR. MACDOUGALL: Yes.

26 Q. In your reference to the Arthur Little
27 Report you speak of the policy of Canadian National Rail-
28 ways in a quotation which I would understand to be the
29 wording of the report and not any statement by anybody
30 on the Canadian National, that that was the policy of



1 the company?

2
3 A. This is quoted out of the Arthur D.
4 Little Report.

5 Q. The actual policy of Canadian National
6 Railways, I think, is a matter of wording in the statute
7 incorporating the company, and you are probably familiar
8 with it with respect to export traffic. Section 21
9 of the Canadian National Railways Act reads:

10 "The Board of Directors shall so direct,
11 provide and procure that all freight destined
12 for export by sea that is consigned within
13 Canada for carriage to National Railways
14 either at point of origin or between that
15 and the sea shall, unless it has been by
16 its shippers specifically routed otherwise,
17 be exported through Canadian seaports."

18 So, the policy of the company is to direct
19 all export traffic which it is enabled to do through
20 Canada's ports as opposed to the seaports of other
21 nations, and I presume that would cover not only
22 Churchill but all the ports of Canada?

23 A. That is the policy of the company?
24 Well, I would understand that Arthur D. Little Incor-
25 porated would have investigated from all angles as
26 to what the policy of the company was, and we just
27 quoted exactly what he puts in his report.

28 Q. This would be the views of Arthur D.
29 Little, or whoever prepared the report?

30 A. Yes.



1 Q. Just above that you are referring to
2 the fact that railway freight rates are too high in the
3 area you are interested in, and it is under the heading
4 of "Freight Rate Discrimination", and I would ask you
5 whether or not you know of any active proceedings
6 before the Transport Board dealing with matters of
7 freight rate discrimination involving movements on the
8 Hudson Bay line at the moment?
9

10 A. No, I don't know. I can't answer that.
11 I don't know of any.

12 Q. You do know if there is such a thing as
13 an unjust discriminatory situation on the Hudson Bay
14 line that the Board of Transport Commissioners are the
15 body directed by Parliament to deal with that type of
16 situation?

17 A. Yes, legally, I presume, but if you
18 will check this letter from Arbuckle, Smith, they didn't
19 bother taking it to the Transport Board; they just
20 shipped the goods in some other way. That is what
21 happened... They don't bother complaining. What is
22 the use? They get them in through another port
23 because they secured a rate through the other port,
24 twice the distance, cheaper than they can get on
25 the Churchill line.

26 Q. And, as the letter says, the agreed
27 charge is meant to compete with truck competition?

28 A. Yes.

29 Q. You are aware that the agreed charge
30 rate shown on page 7 of your statement, which are all



1 those shown in the first tabulation except the route
2 via Churchill, are all agreed charges or competitive
3 type rates?

4 A. Yes.

5 Q. And the one via Churchill of 24,000 tons
6 at \$3.12 is what we call a normal commodity rate; you
7 are aware of that?

8 A. On the agreed charge basis.

9 Q. No, the \$3.12 is not an agreed charge.

10 A. Which one?

11 Q. Churchill.

12 A. Oh, yes, yes; that is not an agreed charge.

13 Q. So, the comparison you have there is be-
14 tween the agreed charge or competitive type of rate and
15 your normal commodity rate at Churchill?

16 A. That is correct.

17 Q. And therefore, your view of the discrimi-
18 nation is not a legal discrimination, but you say
19 other areas of Canada have competitive rates and are
20 quoted through these other eastern ports because of this
21 competitive situation which are cheaper than they are
22 via Churchill, which gets the normal tariff rates.
23 That is the basis of your submission?

24 A. Well, the basis of our submission is that
25 we are not particularly interested in how it is done.
26 We are interested in the fact that it is
27 costing more money to ship our goods from Churchill
28 down here. We want to know why we can't get the same
29 deal.
30



1 Q. You don't accept the fact as a full
2 explanation of that that there is a competitive factor
3 working on one route which is not operative on your
4 route, and you say you are not interested in that, but
5 you know the absolute amount of money paid by the other
6 route is less?

7 A. Well, being of the same nationality as
8 I am, you know I am not interested in the least in the
9 explanation when I get charged more money for doing
10 the same service.

11 Q. Just by way of interest, on page 7,
12 I notice at the bottom of the page you quote some rates,
13 Vancouver to Saskatoon and Regina, and I notice those
14 class rates to Saskatoon and Regina in each of the
15 classes quoted are equal; there is no difference between
16 the rates to Regina or Saskatoon?

17 A. That is what you call the regular rate.

18 Q. Class rates?

19 A. Yes.

20 Q. And also in the Churchill reference, the
21 Churchill to Saskatoon rate, in each of those classes
22 it is less than the rates from Churchill to Regina --
23 Saskatoon being somewhat closer to Churchill than
24 Regina?

25 A. It is.

26 Q. There was some suggestion earlier that
27 Saskatoon rates always seem to be higher than Regina,
28 but here we seem to have them a little lower?

29 A. I think that suggestion that was made
30



1 about Saskatoon rates had nothing to do with coming
2 from Churchill. It was on other lines.

3 Q. Well, these are the Vancouver rates, and
4 the class rates seem to be the same. On page 8, just
5 for the record, the rates from Churchill which you
6 quote there to the C.P.R. point of Swift Current are
7 what we call combination rates?

8 A. Yes.

9 Q. And the rates below, from Vancouver to
10 Morse, Saskatchewan, are the single line C.P.R. rates?

11 A. Yes.

12 Q. And the comparison you have made there
13 I understand to be purely a tariff or arithmetical
14 comparison and not a comparison dealing with some
15 actual shipment that is being handled today; is that
16 right?

17 A. Can you tell me the difference?

18 Q. Well, there is a big difference, I think
19 perhaps you will agree, between just taking a tariff and
20 making a comparison of figures and between taking an
21 actual situation where goods are moving and the traffic
22 is using the tariffs, and you may find all sorts of
23 comparisons which don't affect anybody because they
24 are purely arithmetical?

25 A. Well, you mean to say if I have some
26 goods to move and I go to the railway to get a figure
27 for moving them, that it doesn't count until I actually
28 do move them and pay the bill?

29 Q. There is no money out of your pocket that
30



1 you would consider as being spent?

2 A. I can't follow that line of reasoning.
3 When I go and ask them the cost of moving goods to a
4 certain place, I don't think it is necessary to move
5 the goods.
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1 Q. No. I Quite agree. When you come to
2 the point where you are ready to move them and you want
3 to know the cost delivered, then it is effective?
4

5 A. Yes.

6 Q. Do you know anyone who wants to move
7 goods from Churchill to Swift Current, as opposed to
8 Vancouver or ---

9 A. At the present moment, no, but each
10 year we have requests for information as to how much
11 it would cost to take goods from Liverpool down to
12 Churchill -- the Hudson Bay route through Churchill,
13 and then to various points on the prairies.

14 Q. Do these inquiries come to you as
15 secretary of the Association, or do they come to the
16 industries which are at Churchill?

17 A. No, they come to me, as the Secretary
18 of the Association. People write in and ask you if
19 you will send them some information with regard to
20 those costs.

21 Q. So you then go to the railroads and
22 discuss it, or do you send them to the railroads?

23 A. No, I give them to them myself.

24 Q. And can you tell us whether you have
25 much success in your negotiations on behalf of these
26 people, or what is the general situation?

27 A. Well, after I get the information, then
28 I mail that to the person and tell him to go the
29 railroad himself and see how he makes out.

30 Q. Do some of them make out?



1 A. I think if you look at our imports during
2 the last thirty years and see how they have failed to
3 increase, and our exports have increased, it means some
4 of them haven't made out.

5 Q. Your imports, on page 34, seem to have
6 built up somewhat, not tremendously, but your exports
7 are basically the wheat exports, and the large figures
8 come from the tonnage of wheat?

9 A. Yes, that is right.

10 Q. I think you are to be congratulated on
11 the success you have shown on page 34.

12 A. I thank you very much. I think we should
13 be congratulated for the success we have had, taking
14 into consideration the obstacles we have to overcome.

15 Q. I am sure that is true.

16 Just in a nutshell, then, you say you have no
17 effective competition, and that you do not want to pay
18 these so-called normal rates that are in the tariff
19 class or commodity rates when there are other channels
20 or routes for goods to be brought into Canada --
21 so called competitive routes to the eastern ports?

22 A. There is one point I make, too. We
23 haven't said we haven't any competition. We say the
24 Hudson Bay line is considered a non-competitive line,
25 and, so far as we are concerned, we have more competi-
26 tion than if there was a line running alongside of
27 us, because this proves that the goods were shipped
28 from Halifax and Vancouver, when they should have come
29 in through Churchill. Therefore, we do have competition,
30



1 but we do not have the benefit of getting competitive
2 rates.

3 Q. You would agree, because of the fact the
4 Churchill route is used only a few months of the year, and
5 the other route is used twelve months of the year, there
6 is some likelihood the shipper might use the continuous
7 route rather than through Churchill?

8 A. Montreal is not used twelve months of
9 the year on imports.

10 Q. Halifax is used twelve months?

11 A. There is not an awful lot through Halifax
12 -- mostly Montreal.

13 Q. If it went into Halifax in the winter time--

14 A. Most of it goes down through the Panama
15 Canal.

16 Q. From Great Britain and Europe?

17 A. Yes.

18 Q. Goes via the Panama Canal to Vancouver?

19 A. Yes. They are picking up the wheat at
20 Vancouver and taking it back.

21 Q. Page 9. There are two tables on page 9.
22 The first one, I believe, shows the rates from Churchill.
23 Those are all rates that have any application on this
24 bridge subsidy; none of this traffic goes over the bridge,
25 therefore, those are the normal rates?

26 A. The top one, yes-- the bottom one is.

27 Q. The top one is ---

28 A. That's right, the top ones do not go over
29 the bridge.
30



1 Q. On the top of page 10, you make a
2 statement here which perhaps might be put a different way.

3 You say:

4 "You will note that although the basic
5 are approximately the same, that owing to the rate
6 tariffs
/ federal subsidy being paid (C.F.A. 76 C) that
7 the railways give a reduction in rates which
8 do not apply on the Hudson Bay line."

9 And I would suggest to you that it would perhaps be more
10 correct to say that because of this bridge subsidy there
11 is a reduction in the rates which the railways are
12 ordered by the Board of Transport Commissioners to make.
13 The railways receive them from the shipper, and from the
14 government in the same amount as he would if the whole
15 rate had applied. Is that not right? In other
16 words the railways do not give this reduction in rates?

17 A. Well, I do not have access to the records
18 of the correspondence that takes place between the
19 government and the railways, but I do have access to
20 waybills and shipping bills on freight rates. And I
21 find that owing to the subsidy the railways charge a
22 lesser rate, so we have made that statement. So far
23 as the government ordering them to do that, I have
24 nothing to say that the government ordered them to do it.
25 I think our statement is correct; the railways do give
26 a special rate.

27 Q. What about your Appendix "D", which is an
28 Order of the Board of Transport Commissioners?

29 A. Yes.
30



1 Q. And Appendix "C" which is a copy of the
2 section of the Railway Act dealing with the bridge
3 subsidy. The railway is not giving a reduction in
4 the rates; rather it is the Parliament of Canada that has
5 said that they must reduce the rates so that the cost of
6 transportation over the bridge would be paid partly by
7 the government and partly by the shipper?

8 A. Yes. But, you see, those orders are not
9 available to us as they come off the typewriter. We
10 don't know whether those orders are given out -- whether
11 the railways have authority to do such things without
12 those orders or not.

13 Q. You are satisfied because you have
14 appendices to your brief, at least, they have the
15 authority to do this?

16 A. I am satisfied the government ordered
17 them in this case, because we have the evidence.

18 Q. Also on page 10, paragraph 26, you make
19 reference to :

20 "All imports through our eastern ports
21 shipped west have the advantage of the reduction
22 in freight rates caused by the application of
23 this part of the Act, but imports coming from
24 Churchill to the prairies have to pay the
25 regular freight rates. This militates
26 against Churchill imports."

27 And I suggest to you, sir, that the bridge subsidy does
28 not apply on import traffic. Were you aware of that?
29 It doesn't apply on import and export traffic?
30



1 A. Under the one thousand miles, they come
2 under the local import reduction tariff. Now, we have
3 been informed that import goods are securing the import
4 rate, unless they come under the agreed charge or the
5 commodity rate.
6

7 Q. I believe the fact of the matter is ---

8 COMMISSIONER MANN: I wonder whether you
9 would like to modify your question, and I think the
10 matter would be better stated if you said when import
11 rates do not come under the bridge subsidy, if they
12 are related rates. If, however, the imports move under
13 domestic rates, and those domestic rates are class and
14 commodity rates, they do come under the bridge subsidy.

15 MR. MACDOUGALL: I was just going to come to
16 that, Mr. Mann. I think what Mr. Gray is referring to
17 here is traffic coming from Eastern Canada, coming into
18 the West. It may come from Eastern Canada or from over-
19 seas to eastern ports. The point is that incoming
20 traffic coming into this country from foreign lands,
21 passing over the bridge, the bridge subsidy does not apply.
22 If they come in from Montreal and cross the bridge on
23 domestic, they are agreed charges.

24 THE WITNESS: Suppose a shipload of glass was
25 shipped into Montreal and unloaded to the account of a
26 company there, and then they decided to ship that west,
27 do you tell me they will not get the bridge reduction?

28 MR. MACDOUGALL: Q. That is a shipment of
29 some goods which the eastern importer has bought?

30 A. They can quite easily be handled at any



1 port.

2 Q. I wanted to make sure you were aware of
3 that. There was no intention here that that was to be
4 misunderstood.

5 At the bottom of page 11, Mr. Gray, you make
6 reference to your situation under horizontal percentage
7 increases, and you say:

8 "We feel there is no part of Canada to which
9 such protection might more properly apply than
10 to the area served by the Hudson Bay railway. We
11 feel that with our lack of competition, the Board
12 of Transport Commissioners should give us some
13 protection against the burden of continuing
14 horizontal percentage rate increases."

15 Would you say whether or not you are asking for some
16 particular treatment in this regard for your line, or
17 are you just grouping yourself with all others who
18 feel that horizontal increases affect them, and you want
19 to get the same treatment as everybody else?

20 A. As we have stated in our brief, we are
21 not asking for any special consideration; we are only
22 asking to be treated the same as other sections of our
23 Canadian economy operating under the same circumstances
24 and the same type of area.

25 Q. Thank you, sir.

26 Page 13. You speak at the top of the page
27 in connection with additional terminal grain storage
28 for box cars to be utilized for what they were in-
29 tended. Do you know if there is much delay in unloading
30



1 box cars at Churchill, in grain?

2 A. Very little delay in unloading the box
3 cars. As soon as the ships come in -- Churchill is
4 a very efficient operation. But, before the ships
5 come in, owing to lack of storage space, it is necessary
6 to have a few hundred railways cars loaded with grain
7 at Churchill and at points there, easily to be taken
8 to Churchill.

9 Q. That is at the beginning of the naviga-
10 tion season?

11 A. At the beginning of the season.

12 Q. It is a situation somewhat similar to
13 that at the lakehead, where, in anticipation of a
14 quick outflow from the elevators the cars are built up
15 to take care of them?

16 A. That is the reason of our request. Port
17 Churchill is a tidewater port; Fort William is a lake
18 port. The conditions are almost identical for a
19 ship season opening and closing, and we want them to be
20 treated exactly the same.

21 Q. You go along with that on page 14, speaking
22 of the demurrage situation in Churchill. And, without
23 going into detail, you are asking there that whatever
24 arrangements are made at the lakehead with respect to
25 free time that the same be applied at Churchill?

26 A. Yes.

27 Q. As far as I am aware, that was the inten-
28 tion when this order was passed originally, before it
29 was set aside?
30



1 A. I think it likely was that some slip up
2 occurred.

3 Q. I think there was a difference of dates
4 because your opening of navigation is about the 1st of
5 July or middle of June?

6 A. Once we get operating, get the powers
7 that be to support what we are after, it will be
8 around the 1st of July. Right now, it is the 23rd of
9 July.

10 Q. And there will have to be an adjustment
11 for the opening of navigation -- I think that was all
12 in contemplation.

13 Now, can you tell us whether or not there
14 is any lack of grain coming from Canadian National
15 points to Churchill to service the elevator and the
16 ships coming in there during the navigation season?

17 A. I do not believe there is any lack
18 of grain. We have no knowledge of it, except last
19 year we were informed that a ship was waiting for
20 No. 4 and No. 5 wheat; that it was not available at
21 the elevator. However, we are not complaining of the
22 lack of grain -- the availability of grain; but we
23 are finding there is an area on the map, particularly
24 in Saskatchewan, that shows a cheaper freight rate to
25 Churchill than to any other point. And, being a
26 bunch of old pioneers, we want to get our grain the
27 cheapest way possible to the seaboard. That is where
28 it should be -- go to Churchill.

29 We find that in most cases, you can save up
30



1 to 4 cents a bushel. In other cases, you can go further
2 down until you save only one cent a bushel. And, a
3 little further down, it is an even break.
4

5 Well, it seems to be now that it is necessary
6 to take wheat from C.N.R. points, where there is only
7 a saving of less than one cent a bushel, and take it
8 up to Churchill. And, at the same time, there is
9 wheat in very good farming areas in Saskatchewan at
10 C.P.R. points that could save 3 cents a bushel going
11 to Churchill. That is coming down. Now, all we
12 want to do -- we do not want to tie up one railway
13 with another. We know very well when we have been
14 shipping any products from our own farm, it doesn't
15 really matter which railway we ship it over. They
16 still deliver it to your local station, anyway. We
17 cannot understand why our wheat cannot be taken from
18 the local station the same way back to the seaport.
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1 Q. You are probably aware, also, sir, that
2 these two line roads, the joint roads, are negotiated
3 and are put into effect by the two lines, that there is
4 a particular requirement to be met, and this is being
5 done constantly, and at Prince Rupert there are no such
6 roads applying ^{to Prince Rupert} /as you suggest for Churchill?
7

8 A. I may say that the people at Prince Rupert
9 haven't been fortunate enough to have an organization
10 like this fighting for their rights.

11 Q. I would agree with you there.

12 A. They did have one quite a while ago, but
13 it is not there now.

14 Q. Maybe their difficulty is they haven't
15 been fortunate enough to have a man like you?

16 A. Thank you.

17 Q. In any event, just to comment on your
18 question about grain storage in Newfoundland, were
19 you aware of the present construction going on at Baie
20 Comeau on the Lower St. Lawrence?

21 A. Yes.

22 Q. What do you say is the effect of the con-
23 struction of the elevator space, which I understand
24 will be opened this summer, and it will have a capacity
25 of some eight million bushels and have the ability to
26 be expanded to about twenty million bushels and where
27 grain will be stored at an all-winter port on the
28 Lower St. Lawrence?

29 A. I understand that they have an agree-
30 ment to handle forty per cent American grain.



1 Q. That may be if they have twenty million
2 bushels' capacity there.

3 A. We have approximately eighty million
4 bushels of grain in Saskatchewan, and with a cheaper
5 freight rate in Churchill than in the other place.

6 Q. If you had the storage in Newfoundland --
7 and I am not for or against it -- you would have to have
8 a much greater storage capacity at Churchill to move it
9 out in your short season than you have presently?

10 A. Of course, we are asking for more storage
11 at Churchill. We want 500 more storage at Churchill.

12 Q. You will have to step up your exports
13 from Churchill to your present level in 1959 of ---

14 A. Not exactly the exports, no.

15 Q. To move fifty or sixty million bushels?

16 A. Oh, no. You have twenty or twenty-five
17 million bushels storage in Newfoundland, and your storage
18 at Churchill is ten million bushels, and they could
19 easily ship out fifty million, twenty-five sold and
20 twenty-five stored.

21 Q. Have you thought about what this would do
22 to the movement of grain presently moving to the Atlantic
23 ports of Saint John and Halifax?

24 A. I think if you look over the report you
25 will find in the total sales of such wheat that the
26 sales from these eastern ports is very negligible.

27 Q. This would about finish it off, if you
28 were moving it from St. John's, Newfoundland, you would
29 go right by the elevators in Halifax and Saint John?
30



1 A. Maybe not. I am not capable of answer-
2 ing that question except to say, going by the Commis-
3 sioner's report, it doesn't amount to an awful lot.

4 Q. One last question. Can you tell me
5 anything more about where this pink marble, which is
6 spoken about on page 17, is used?

7 A. I have no samples of it, but I have seen
8 it.

9 Q. I mean examples. For instance, there is
10 a pink marble floor in the legislative building in
11 Winnipeg; is that what you spoke of?

12 A. I can't tell. I was talking to the
13 people there and they told me some of it was used in
14 Saskatoon, Edmonton, Regina and Winnipeg; I don't know
15 which places it was used in.

16 Q. Do you know whether there is any active
17 shipment from this quarry?

18 A. There has been, but I don't know at
19 what time of the year.

20 Q. It is quite an active operation that is
21 going on every year?

22 A. I think it has operated each year, but
23 not steady; it is not a steady operation.

24 Q. Thank you very much.

25
26 CROSS-EXAMINATION BY MR. SINCLAIR:

27 Q. Mr. Gray, you suggested that the Com-
28 mission should look at the interline roads on Canadian
29 Pacific at Canadian shipping points on the Hudson's
30 Bay Railroad -- that is one of the points you used?



1 A. Yes.

2 Q. Do you think that Canadian Pacific should
3 have running rights over the Hudson's Bay Railway so
4 that the railways could go right to Churchill?

5 A. I am not a railway man; I don't know what
6 would be entailed in switching or running rights. I
7 just happen to be one of the poor suckers who pay the
8 bill.

9 Q. I am asking you if you have given any
10 thought to having running rights rather than interline
11 rights?

12 A. We haven't given this much thought,
13 the running rights, because it entails a lot of technical
14 work; all I want is some method of getting the goods
15 there and back.

16 Q. Let me ask you something else, and take a
17 look at your map at the commencement of your brief. When
18 you prepared that map why did you only show the branch
19 lines north of Winnipeg leading up -- why did you only
20 show the Canadian National line, why didn't you include
21 the Arbour and Riverton subdivisions on the Canadian
22 Pacific? Perhaps my friend might like to answer that,
23 but I would like Mr. Gray to answer that. Did you
24 forget about that?

25 A. I suppose we dealt with Canadian National
26 railway lines when we were drawing the map because it
27 was the Canadian National railway that went to Churchill,
28 and the people wanted to know where the Canadian National
29 railway were connecting with other lines.
30



1 Q. I suggest the next time you draw up this
2 map you might, if you don't mind, complete it by putting
3 in the two Canadian Pacific subdivisions, and possibly
4 if the Government of Manitoba is going to build a rail-
5 way down there, possibly they could connect that to
6 one of the Canadian Pacific lines as well as one of
7 the Canadian National. You would do that?

8 A. Yes, we would be quite pleased if the
9 Canadian Pacific would like to build that proposed branch
10 line.

11 Q. The Canadian Pacific would have too much
12 difficult making it pay, but maybe the Manitoba Govern-
13 ment would build it and then we might be licensed to
14 run over it; I don't know.

15 On this bridge subsidy, you want to put your
16 hands into the pocket along with the other shippers;
17 your competitive position is really what you are
18 interested in. You are not so interested in getting
19 your hands in the pocket, perhaps, as you are in having
20 no deterioration of your competitive position; is that
21 correct?

22 A. Yes.

23 Q. Therefore, your problems would be solved
24 by the abolition of the bridge subsidy?

25 A. I suppose the problem would be solved to
26 that extent.

27 Q. You would then, as an alternative, pro-
28 pose to this Commission the abolition of the subsidy?

29 A. That would be almost like the same as
30



1 when the doctor was operating on me for appendicitis
2 and wasn't quite sure what to do. His problem would
3 be solved if he gave me a pill to kill you.

4 Q. Maybe when he was operating on you for
5 the appendicitis, if he saw a diseased gall bladder he
6 would take that out, too.

7 A. But this is more than a gall bladder.

8 Q. My question ---

9 A. It is the life of the patient.

10 Q. Possibly your competitive position is
11 the life of the patient?

12 A. It is much more than the competitive
13 position; so far as our organization is concerned we
14 have stated that all we are interested in is to see
15 that the Hudson's Bay Railway is given the same treat-
16 ment as other lines and other parts of Canada under
17 similar circumstances.

18 Q. Would you add "and conditions" to that;
19 similar circumstances and conditions?

20 A. Conditions? You might change that.
21 Your idea of a condition might not be ours.

22 Q. I am just quoting the Railway Act.

23 A. You mean natural conditions?

24 Q. Similar circumstances and conditions, as
25 used in the Railway Act.

26 A. Natural conditions; I wouldn't say
27 conditions as somebody thought them up, because they might
28 think of different ones than we would.

29 Q. May I come back to the question again
30



1 that I asked before, please, and that is in view of the
2 fact that you are really interested in your competitive
3 position; the Churchill route, that is, as against
4 other routes, would your Association recommend to this
5 Commission the abolition of the bridge subsidy?

6 A. I have no authority whatever.

7 Q. What is your personal opinion?

8 A. I don't think the Commission are par-
9 ticularly interested in the personal opinion of indivi-
10 duals who have not studied or are not qualified to
11 discuss subsidies and all these various other intricacies
12 of modern finance and transportation. If I were to
13 give you my own personal opinion, I think it would
14 likely be dated back to my life and my work as a
15 pioneer in Saskatchewan on a homestead where nothing was
16 impossible; there were no subsidies, there was no relief,
17 and we had to live, root or die, and I am not as hard-
18 boiled as that. I think perhaps certain other circum-
19 stances may enter into it, but I wouldn't like to voice
20 an opinion, either, for the organization or for myself
21 in regard to putting them or for the removal of subsi-
22 dies.

23 Q. Basically, I take it your position would
24 be this, the subsidies should not be used unless there
25 is a clearly demonstrated need for them and there is no
26 other method to bring about the result that is required
27 in the national interest; would you agree with that?

28 A. I would think that they would never put
29 that subsidy on in the first place if they didn't have
30



1 men who thought it would be ----

2 Q. I am asking you basically your opinion
3 and the opinion of your association that subsidies
4 should not be used unless there is a clearly demon-
5 strated need, and that subsidies are the last resort and
6 are required only in cases where there is a definite
7 national interest?

8 A. I agree with that. That is my personal
9 opinion, but I am not speaking for the Association on
10 that question.

11 Q. Now, Mr. Gray, under the Crow's Nest
12 Pass Agreement of 1897 the level of rates on grain in
13 Churchill wouldn't be applicable, and in the light of
14 this would you through your Association advocate the
15 restoration of the Crow's Nest Pass Agreement?

16 A. The restoration of it? I didn't know
17 we lost it yet.

18 Q. I will start again. Under the Crow's
19 Nest Pass Agreement of 1897, the level of rates that
20 are now in effect for the movement of grain to Churchill
21 would not be applicable. Now, I am asking you this
22 question: in the light of that would you and your
23 Association advocate a return to the application or
24 the restoration -- call it what you will -- the strict
25 application of the Crow's New Pass Agreement of 1897?

26 A. We have already dealt with that as an
27 organization. What page was that?

28 Q. Page 6.

29 A. Page 6.
30



1 Q. Paragraph ---

2 A. That is voicing our opinion as an organ-
3 ization.

4 Q. And it says there that there shall be
5 no interference with the established national policy
6 as shown in the Crow's Nest Pass rates?

7 A. That is right.

8 Q. And what I am asking you is a different
9 question. I recognize that and this is, if I may say
10 so, the policy of Canadian Pacific, just as you have
11 it here, but I am asking you a different question. I
12 am asking you this question: is it the position of
13 your organization that the rates as fixed by the Crow's
14 Nest Pass Agreement of 1897 would be operative and
15 applicable only in accordance with the terms of that
16 agreement?

17 A. The rates?

18 Q. Yes. Under that agreement Churchill
19 wouldn't be covered by the rates?

20 A. I haven't got your question. You say
21 would I agree with the rates that would be set by that?

22 Q. I will ask you again, Mr. Gray. Please
23 try to follow me. In 1897 an agreement was signed
24 between the Canadian Pacific and the Government of
25 Canada. Under that agreement there were certain
26 rate provisions in regard to the shipment of grain
27 that provided, as interpreted by the Supreme Court of
28 Canada in 1925, that it was applicable only to
29 shipping points then in existence and applicable only
30 to Fort William. Now, in the light of that, that



1 explanation of what the situation was, I am asking you
2 is it the position of your organization, the Hudson
3 Bay Route Association, that the Crow's Nest Pass Agree-
4 ment should be strictly applied?

5 A. All we know about is our organization
6 and the Crow's Nest Pass Agreement we are operating under
7 at the present time and have been operating under for
8 the past twenty years.

9 Q. You don't know whether you are operating
10 under the Agreement or not, all you know is the level
11 of rates?

12 A. Yes, you see, we do know, because the
13 Crow's Nest Pass Agreement operated for a considerable
14 length of time.

15 Q. Churchill was only opened in 1931?

16 A. That is right, and so far as the Supreme
17 Court of Canada making a decision, supposing that we
18 make a decision based on the effect of the operations
19 of it? However, we are not particularly interested
20 in that part; we are interested in the application.

21 Q. What you are interested ---

22 A. The application of the Crow's Nest Pass
23 rates on grain.

24 Q. What you are interested in is in main-
25 taining the level of rates that were provided by the
26 statute in 1925?

27 A. Yes, that is right.

28 Q. You are not interested in the Crow's
29 Nest Agreement, but you are interested in the statutory
30



1 rates on grain?

2 A. Well, if it had not been for the Crow's
3 Nest Agreement you wouldn't have had the statute.

4 Q. That may be, but I am asking you in so
5 far as your organization is concerned, if the Crow's
6 Nest rate, as fixed under the agreement of 1897 were
7 all that was to be applied, and as a result thereof
8 grain rates to Churchill were not on the level they are
9 now, you wouldn't support the Crow's Nest Agreement,
10 would you?

11 A. Of course, it wouldn't then be a Crow's
12 Nest Agreement.

13 Q. I am asking you to assume with me, Mr.
14 Gray -- if you don't understand me, that is fine, but if
15 you don't and if you don't want to answer, say so, be-
16 cause the point I think is pretty obvious, and I just
17 want to see whether this was your own thought or you
18 had just dug yourself into a position here. I will do
19 it again.

20 MR. DOHERTY: Before Mr. Sinclair continues.
21 I wonder if we are gaining anything having in mind the
22 time. I think the witness has given his answer, and
23 it is pretty well set out in the brief. I cannot see
24 that we are progressing.

25 THE CHAIRMAN: Well, ask the question again.

26 MR. SINCLAIR: I think it does indicate some-
27 thing that I think at a later time I shall certainly
28 bring to the attention of the Commission.

29 MR. DOHERTY: It is something which you can
30



1 bring in in argument later.

2 THE CHAIRMAN: Ask the question.

3 MR. SINCLAIR: Q. The answer of the witness
4 is very important to me.

5 Now, my question again, Mr. Gray: if as a
6 result of the Crow's Nest Pass Agreement being applied,
7 the present rates on grain to Fort William were at
8 one level and the rates on grain to Churchill were
9 on another level, would your organization support the
10 application of the Crow's Nest Pass Agreement?

11 A. We might support an application of that
12 type of a policy, but we wouldn't call it the Crow's
13 Nest Pass Agreement, because we would disagree that that
14 was the understanding.

15 Q. One final question. On page 13 you
16 made reference at the top to delays in loading box cars,
17 and you would not restrict the fact that box cars should
18 not be delayed in unloading just to Churchill, but that
19 that would apply anywhere, that box cars should be un-
20 loaded directly. In other words, there is some storage
21 needed at the lakehead to allow box cars to be unloaded
22 promptly, and your position was that it should be
23 constructed there also?

24 A. Yes.

25 Q. Thank you.

26 MR. MACDOUGALL: May I have the indulgence
27 of the Commission for a moment. Earlier there was
28 some mention by Mr. Woodward about how the Hudson's Bay
29 Line became part of the Canadian National, the
30



1 circumstances of it, and I think that it might be well
2 to refer at this time to the exhibit filed. I have
3 forgotten the number, but it is the annual report of
4 1958 for Canadian National, and at page 21 there is
5 this reference to that Hudson Bay Railway:
6

7 "Early in 1958 the Hudson's Bay Railway
8 (formerly operated on behalf of the Department
9 of Transport) was entrusted to the Canadian
10 National System on a basis similar to that of
11 other Canadian government railways. Accordingly,
12 the Shareholders Equity Account was increased
13 by \$34.7 million."

14 COMMISSIONER MANN: Mr. Gray, I wonder if
15 you could tell me whether you have ever discussed this
16 question of joint through rates with the railways
17 themselves?

18 THE WITNESS: Yes, we discussed it with some
19 of the officials.

20 COMMISSIONER MANN: With Canadian National.
21 Have you discussed it with Canadian Pacific?

22 THE WITNESS: Yes.

23 COMMISSIONER MANN: And what was the reaction
24 of the officials?

25 THE WITNESS: The reaction was very sym-
26 pathetic towards us and what we want, but sympathy
27 doesn't induce very much results along financial lines.

28 COMMISSIONER MANN: Your complaint is that
29 it had reaction but no action?

30 THE WITNESS: Well, I think it would be fair



1 to say no action. In some cases we have taken -- I
2 don't know what definite action brought results, but
3 they have moved themselves to live with the matter and
4 we have discussed it with the officials of the Board
5 of Transport Commissioners.

6 COMMISSIONER MANN: When you say, Mr. Gray,
7 there has been some action, do you mean to say that
8 there are presently some joint through rates over the
9 line?

10 THE WITNESS: I didn't say that.

11 COMMISSIONER MANN: There are not any at
12 all?

13 THE WITNESS: I couldn't say that, I don't
14 know.

15 COMMISSIONER MANN: We may be able to find
16 that out. I have one more question. On page 18 in
17 paragraph 54, the last sentence of that paragraph
18 reads:

19 "In justice to northern development and those
20 engaged in this work, freight rates should be
21 reduced to a level that assists, rather than
22 retards this development."

23 As a general principle could you state this, or would
24 you state this as a general principle, wherever you have
25 any undeveloped area the rates should be reduced to
26 a level that would assist in the development of this
27 undeveloped area; would you make this a general prin-
28 ciple? That is quite apart from the northern aspect
29 of development.
30



1 THE WITNESS: Well, I think perhaps the
2 principal government policy of our Canadian democracy
3 has been to assist the undeveloped sections of our
4 society, not only our own, but we are going out and
5 doing it in different parts of the world, and we feel,
6 perhaps, that in our own society consideration should
7 be given along that line.

8 COMMISSIONER MANN: Thank you very much.

9 THE CHAIRMAN: Thank you, Mr. Gray and
10 Mr. Woodward.

11 I think we might take a very short recess
12 at this time.

13
14 ---Short recess.
15
16 -
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18 -
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1 THE CHAIRMAN: Yes, Mr. Doherty?

2 MR. DOHERTY: Mr. Chairman and Commissioners,

3 I would like next to ask you to consider the submission
4 of the Saskatchewan Timber Board of Prince Albert,
5 Saskatchewan. The witness will be Mr. Michael Kalmakoff,
6 the General Manager of the Saskatchewan Timber Board.
7 We have a map attached to this submission and also there
8 is an Exhibit 1, which we would like to take into the
9 record as exhibits, with your permission, sir.
10

11 ---EXHIBIT NO. 100: Long haul freight rates on
12 pulpwood from Saskatchewan
13 and United States points to
Wisconsin Rapids, Wisconsin.

14 ---EXHIBIT NO. 101: Map attached to the submission
15 of the Saskatchewan Timber
16 Board.

17 MICHAEL KALMAKOFF, called

18
19 THE WITNESS: The Saskatchewan Timber Board
20 is a Crown Corporation engaged in the production,
21 manufacture and marketing of forest products from the
22 Crown lands of Saskatchewan. We produce mainly lumber,
23 pulpwood, power and telephone poles and railway ties of
24 a total annual sales volume of about \$7 million,
25 valued f.o.b. our loading points. Our annual freight
26 bill comes to about \$1,500,000.

27 On behalf of this Corporation, I wish to
28 bring to your attention an unsatisfactory freight rate
29 situation which has resulted in much loss of income for
30 Saskatchewan people and loss of revenue to our rail-
roads.



1 This has to do with the export of pulpwood
2 from Saskatchewan to Wisconsin where we have the best
3 United States market for this commodity from this
4 province.
5

6 The most desirable of all woods for the
7 manufacture of pulp and paper is spruce, particularly
8 black spruce. The Wisconsin pulp and paper industry
9 was started nearly a century ago and as it developed it
10 was based largely on this most desirable species of
11 wood. As the supply of spruce in Wisconsin and the
12 neighbouring states declined, these mills reached out
13 to import pulpwood from Ontario, from Manitoba and
14 from Saskatchewan.

15 According to statistics compiled by the
16 Forest Service of the United States Department of
17 Agriculture, the pulp and paper mills of the Lake
18 states (which include Wisconsin, Minnesota and
19 Michigan, although the majority of the mills are in
20 Wisconsin) imported from Canada, in 1946, nearly
21 700,000 cords of pulpwood and in 1951 this figure rose
22 to 841,000 cords.

23 In the early 1950's the Government of Ontario
24 began to put into effect some restrictions on the
25 export of pulpwood and while the Saskatchewan Timber
26 Board tried to replace some of this supply, it had
27 only a very limited success. The buyers of these
28 mills complained bitterly about the steeply rising
29 freight rates and the unsympathetic and inflexible
30 attitude of the Canadian railways on the question of



1 freight rates. They frequently spoke of the possi-
2 bilities of using local hardwoods to a greater extent
3 in their operations in substitution for imported wood.

4 Because of their short fibre and difficulty
5 of processing, these local hardwoods were considered,
6 before the 1950's, as being almost useless in the
7 manufacture of most pulp and paper products.

8 By 1957, the production of hardwood pulpwood
9 in the lake states increased to 240,000 cords from a
10 low of only 8,000 cords in 1946. The production
11 of aspen (poplar) pulpwood in these states increased
12 in 1957 to 1,250,000 cords from a low of less than
13 half a million cords in 1949. The production of
14 hardwood pulpwood and aspen together was just about
15 tripled in these states during the decade of the 1950's.
16 At the same time the import of pulpwood declined from
17 a high of 841,000 cords in 1951 to just about one-half
18 this figure in the late 1950's. (See Technical Notes
19 - Lake States Forest Experiment Station, U.S. Depart-
20 ment of Agriculture -- Forest Service, St. Paul,
21 Minnesota).

22 Exports of pulpwood from Saskatchewan to the
23 lake states during this period declined from a high
24 of 78,000 cords in 1951 to one-third this quantity
25 in the late 1950's. (Source: Dominion Bureau of
26 Statistics, Ottawa).

27 The rapidly rising freight rates have driven
28 the lake states mills into intensive research into
29 new processes of manufacture which have made it
30



1 possible to use a much larger proportion of hardwoods
2 and aspen in their operations than was formerly believed
3 possible. And while the volume of their manufactures
4 increased greatly, the volume of imports of pulpwood
5 from Canada declined steeply.

6
7 Railways are sensitive to truck competition
8 and other competing forms of transportation but the
9 trend to greater use of hardwood pulpwood in the lake
10 states has been in its effects on the Canadian railway
11 traffic just as severe as any competing form of trans-
12 portation. In its effects on our economy it has
13 been much worse since, in addition to reducing railway
14 traffic, it has reduced the income of many Canadian
15 producers and shippers.

16 This trend is by no means at an end. On
17 February 10, 1959, the Chicago and Northwestern
18 Railway held a Pulpwood Transportation Conference
19 with representatives of the lake states mills. At
20 this conference Mr. F. G. Kilp, Manager of Woodlands
21 Operations of Nekoosa-Edwards Paper Company, reported
22 that the Wisconsin mills are using only 27 per cent
23 of the net annual growth and 44 per cent of the net
24 allowable cut of hardwoods including aspen. We
25 indicated that this available material offers the
26 greatest opportunity for expansion in the future.

27 The trend in this direction is ^{continuing} / and only
28 lower freight rates on long hauls will enable
29 Saskatchewan pulpwood to compete with this trend and
30 increase the movement of this traffic.



1 In addition to producing pulpwood locally and
2 importing it from Canada, the Wisconsin mills also
3 bring in wood on long hauls from within the United
4 States. They receive spruce and pine pulpwood from
5 the foothills and mountain areas of Montana, Wyoming
6 and Colorado. These hauls range from 1100 to 1350
7 miles, distances considerably greater than from
8 Saskatchewan. If you will look at Exhibit 100 you
9 will see that ours in Saskatchewan range from 876
10 miles to 1100 or 1200 miles by comparison with these
11 which range from 1100 to 1350. This pulpwood was
12 moving in the 1940's and has continued right up to
13 the present. In 1951 the volume of this traffic
14 reached its maximum of 138,709 cords. (Statistics
15 of the Forest Service of the United States Department
16 of Agriculture).

17
18 The United States railways, of course, have
19 also instituted freight rate increases. In fact, the
20 Canadian railways have instituted increases on pulpwood
21 shipments from Western Canada to the United States
22 only on the occasions and in the amounts that freight
23 rates on pulpwood were increased within the United
24 States. The important difference is that United
25 States railroads recognized that those increases
26 were reducing their long haul traffic and gave sub-
27 stantial reductions in these rates.

28 Mr. H. A. Gunderson, Assistant Vice-President
29 of the Chicago and Northwestern Railway Company said
30 at the aforementioned Pulpwood Transportation Conference



1 on February 10, 1959:

2 "Going back about ten years, the rates
3 on pulpwood, starting with the Ex Parte 162,
4 were increased on six different occasions, the
5 first on January 1, 1947. Pulpwood was in-
6 creased 20 per cent with a maximum of 8 cents.
7 Then 25 per cent, 9 per cent, 15 per cent, 6
8 per cent and 12 per cent. However, during
9 that time, at the request of the receivers
10 of pulpwood, the rates on the so-called long
11 haul business, from Colorado and Montana
12 were reduced from time to time and the
13 ex parte increases were almost entirely wiped
14 out."
15

16 Mr. Gunderson continues:

17 "As an example, the Montana rate on
18 September 1, 1949, was \$16.02 a cord. On
19 September 1, 1958, the rate was \$15.50 a
20 cord. Had the ex parte increases continued
21 during that time, the present rate would
22 have been \$21.87."

23 Another source of wood on a lengthy haul
24 for the Wisconsin mills is the Black Hills of South
25 Dakota. Here the rate was fixed at \$12.50 some years
26 ago but the wood did not move. We are told this wood
27 is difficult to produce and bring to rail. So what
28 did the U. S. railways do? Again I quote Mr. Gun-
29 der-
30 son:

" . . . outside of a few cars that moved for



1 test purposes, there has been no movement
2 of pulpwood from the Black Hills to speak of
3 until we established, last fall, a rate on
4 25 cars of \$8.70 a cord. Since that time
5 there has been quite a movement."

6 The rate of \$8.70 on 25 cars is a rate
7 which applied only if 25 cars were billed out at the same
8 time from one loading point. When this requirement was
9 found unsatisfactory, the quantity to be billed out
10 at once, to qualify for this rate, was reduced to 15
11 cars.

12 In 1959 one Wisconsin mill alone received
13 10,000 cords of pulpwood from the Black Hills on
14 this rate.

15 Now what have the Canadian railways done to
16 reduce rates and encourage this movement of pulpwood?
17 After many requests and submissions by both receivers
18 and shippers, the Canadian railways reduced the rate
19 from effective Saskatchewan shipping points in 1954
20 by an average of 4 cents per cwt. and after much
21 further negotiation they allowed a further reduction of
22 about $2\frac{1}{2}$ cents per cwt. on January 20, 1960. This is
23 a total reduction of $6\frac{1}{2}$ cents per cwt. on rates which
24 without the reductions would have been 57 to 65 cents
25 per cwt. -- a very small reduction in comparison
26 with the reductions on long hauls in the United States.

27 Much more revealing is a comparison of
28 the current rates from the western U. S. points to
29 Wisconsin on the one hand and from Saskatchewan to
30



1 Wisconsin on the other. Exhibit 100 to this submis-
2 sion shows this comparison.

3 I would draw your attention to the fact that
4 the mileages from the main Saskatchewan shipping points
5 to Wisconsin Rapids are 880 miles to 1200 miles. The
6 mileages from Montana, Wyoming and Colorado shipping
7 points range from 1100 to 1350 miles while the mileages
8 from South Dakota shipping points to Wisconsin Rapids
9 are around 800 miles. So, we have in the United States
10 some of these mileages that are longer than Saskatchewan
11 and some which are shorter.

12 In the case of Montana, Wyoming and Colorado,
13 the ton-mile rates are approximately one-half the ton-
14 mile rates from Saskatchewan and from the Black Hills the
15 ton-mile rates are less than half the ton-mile rates
16 from Saskatchewan.

17 We have tried to present this comparison gra-
18 phically on the map marked "Exhibit 101" to this
19 submission. The heavy blue lines from Hudson Bay,
20 Saskatchewan, from Butte, Montana and from Deadwood,
21 South Dakota to Wisconsin Rapids are, in their lengths,
22 proportional to the rail mileages between these points.

23 The red lines represent the freight cost of
24 shipping a cord of rough green pulpwood weighing 4500
25 pounds. The lengths of the red lines are proportional
26 to the cost of shipping from each of these same points
27 to Wisconsin Rapids. The red lines in the United
28 States therefore represent the distances through which
29 the pulpwood could be hauled for the U. S. freight bill
30



1 on that haul at the rates charged us in Canada.

2 It is as if the United States railways said
3 to their shippers and receivers, "We will move your
4 pulpwood free of charge for half the distance from
5 Butte to Wisconsin and for the rest of the distance
6 you can pay us at the rate which the Canadian railways
7 ask the Saskatchewan shippers to pay."

8 For hauls much longer than from Saskatchewan,
9 the cost of transportation is much less and for a haul
10 only a little shorter than from Saskatchewan, the
11 freight cost is much less than half.

12
13 Gentlemen, it appears to us that these tre-
14 mendous differences in freight rates cannot be ex-
15 plained except by a curious indifference on the part of
16 Canadian railways as to what happens to our export
17 trade.

18 We believe these long-haul rates in the United
19 States are good proof that our freight rates on pulp-
20 wood can be reduced substantially. Railway costs in
21 Canada surely cannot be so much higher than in the
22 United States, as to make our present rates necessary.
23 Even at their low rates, the United States railways find
24 this traffic desirable. They are prepared to go to
25 great lengths to preserve and increase this traffic.
26 They hold conferences with their shippers, they set
27 up bureaus to work on rate problems with their customers,
28 they authorize per cord rates which are the same for
29 all wood regardless of its weight, they institute
30 special low rates for multiple car shipments.



1 Our wood, black spruce, is still the most
2 desirable species of all in the manufacture of pulp
3 and paper. Our costs of production are the lowest
4 of any, our stumpage dues are the lowest of any, our
5 wood is near to the rail loading points. But our
6 freight cost (\$22.95 a cord) is almost twice as much
7 as the cost of producing the rough (unpeeled) wood and
8 putting it on the car. It constitutes an almost
9 insurmountable hurdle.

10 A rate for the haul from Saskatchewan to
11 Wisconsin at the same ton-mile rate as it now in effect
12 from Butte to Wisconsin would be about \$12 per cord.
13 The Black Hills ton-mile rate applied to Saskatchewan
14 mileage comes to \$10 per cord. Either of these rates
15 would provide a great stimulus to our pulpwood export
16 business and would build it up to at least 100,000
17 cords, and quite possibly to 200,000 cords, in a very
18 short time. At 28 cords per car, \$12 per cord, the
19 rail revenue would be \$336 per car and the annual
20 revenue from 100,000 cords would be \$1,200,000.

21 Railway revenues would increase not only
22 from the movement of pulpwood. The increased income
23 of people now living in the forest fringe areas of this
24 province would result in much more consumer goods
25 moving into these areas and their transportation
26 would bring a further, and perhaps equally great,
27 addition to railway revenues.

28 We submit that Canadian railways have a duty
29 to recognize the trend towards greater use of hardwoods
30



1 in the lake states and to do the utmost possible to
2 meet this trend by reduction of freight rates. We
3 believe they have a duty to meet at least the competing
4 long haul rates in the United States. Such a step
5 would not only bring a greater measure of prosperity
6 to our producers and shippers but would increase rail-
7 way revenues at the same time.

8
9 Mr. Chairman and members of the Commission,
10 we thank you for the opportunity of presenting this
11 brief.

12 THE CHAIRMAN: Thank you, Mr. Kalmakoff.

13 MR. COOPER: Mr. Chairman, in view of the
14 fact that there is here one specific problem only
15 raised which concerns perhaps the railways directly, I
16 have no questions to ask Mr. Kalmakoff. It is a
17 matter with which no doubt the railways wish to deal
18 as being, as I have said, a specific problem affecting
19 international rates on one commodity, black spruce
20 pulp.

21 CROSS-EXAMINATION BY MR. McDONALD:

22 Q. Mr. Kalmakoff, in paragraph 2 of your
23 submission you wish to bring to the attention of the
24 Commission the unsatisfactory freight rate situation
25 which has resulted in much loss of income for Saskatche-
26 wan people and loss of revenue for our railroads:
27 dealing with this, what is the price of a cord of pulp-
28 wood; what do you receive for it?

29 A. Well, there are many different kinds of
30 pulpwood. There is rough pulpwood -- green cut; there



1 is fire-killed pulpwood, and sap-peeled pulpwood.

2 Q. Can you give me the range of prices?

3 A. Pulpwood now does not move on this haul
4 because of the freight rate being prohibitive.

5 Q. What is the price?

6 A. It could be produced and put on a car
7 for \$14 a cord -- \$14 or \$15.

8 Q. Cutting it and putting it on the car?

9 COMMISSIONER GOBEIL: Is that peeled or
10 unpeeled?

11 THE WITNESS: That is rough.

12 MR. McDONALD: Q. Yes, but what do you re-
13 ceive for it?

14 A. As I say, we haven't sold it on that
15 market. On Canadian markets we have made sales, and
16 I don't feel too free to reveal prices paid by our
17 customers.

18 Q. I wanted to get some relation between
19 the freight and the value of the product?

20 A. You can use that \$14 and \$15 as the
21 approximate value.

22 Q. That is not the price you receive for
23 it?

24 A. Yes.

25 Q. That is all you receive for it?

26 A. That is all you receive for it.

27 Q. Now, you have the green cut?

28 A. And sap-peeled. That would range up in
29 the twenties. It would be from 23 to 25 or 26 dollars
30



1 per cord.

2 Q. That is your cost to put it on the car?

3 A. Yes.

4 Q. And pay freight charges?

5 A. No, that doesn't pay the freight. You
6 pay the freight above that.

7 Q. But you do not wish to reveal your
8 selling price of that at the delivery point?

9 A. I think that would not be quite right, sir,
10 in this case.

11 COMMISSIONER GOBEL: That is not the selling
12 price?

13 THE WITNESS: Well, this is an approximate
14 selling price I speak of, but I am not revealing any
15 particular selling price that we have.

16 MR. McDONALD: Q. Has the price of pulp-
17 wood decreased in recent years?

18 A. Yes, it has decreased.

19 Q. By what percentage?

20 A. I would say within the past two or three
21 years it has decreased, yes.

22 Q. By what percentage would you say?

23 A. Well, you are asking me questions which
24 would take considerable time, because I should consider,
25 are we speaking of delivered selling prices?

26 Q. Yes.

27 A. I would say there has been a decrease
28 of 10 per cent.

29 Q. Over what period of time?

30



1 A. Over these last three years, and it
2 varies because there is no fixed market for it; it is
3 an individual transaction.

4 Q. But there has been a reduction in the
5 delivered price of about ten per cent; and then, does
6 the rate of exchange affect you at all?

7 A. Yes, the rate of exchange.

8 Q. And it runs about five per cent?

9 A. Yes, at the present time.

10 Q. So you would lose another five per cent
11 there. In paragraph 8 you refer to the competition
12 of hardwood pulpwood from the lake states which in-
13 creased to 240,000 cords for a low of only 8,000 cords.
14 There was a new process evolved so that this could be
15 processed?

16 A. That is right.

17 Q. So that came into competition with the
18 sale of your pulpwood?

19 A. Yes.

20 Q. By 1957, you say that became effective?

21 A. Yes.

22 Q. You refer in paragraph 10 to, "the
23 rapidly rising freight rates have driven the lake
24 states mills into intensive research . . .", and so on.
25 These freight rates on this pulpwood are known as
26 international rates?

27 A. Yes.

28 Q. And those have risen since 1946?

29 A. Oh, yes.
30



1 Q. And they went up with the American rates?

2 A. Yes, my understanding is that they were
3 raised every time the United States rates were raised.
4

5 Q. So you have had experience with those.
6 We have had some complaints that we never increased
7 those rates, but you have had the experience that
8 those rates do increase?

9 A. Oh, yes, they certainly do.

10 Q. Then, I believe the Canadian National
11 publishes a proportional rate on this pulpwood; is
12 that right -- that is a rate to where it is handed over
13 to the final delivering carrier in the states?

14 A. Yes.

15 Q. You also refer to rates on 25-carload
16 lots known as bulk rates or quantity rates?

17 A. Multiple car rates.

18 Q. And those are used to some extent in
19 the United States?

20 A. Yes.

21 Q. But do you agree they are not published
22 in Canada?

23 A. I believe they are not.

24 Q. And I think the reason they are not
25 is that it has been argued that there would be some
26 discrimination to the small shipper who would probably
27 only have a carload; is that right?

28 A. Well, I don't know the reason for it,
29 but it could be one reason. On the other hand, small
30 shippers could get together in a group and ship at the



1 same time.

2 Q. But pulpwood moves from various places
3 all across Canada, doesn't it?

4 A. Yes.

5 Q. And you suggest in here a rate of \$12
6 per cord?

7 A. Yes.

8 Q. And have you figured out what that would
9 mean in revenue per ton mile?

10 A. Well, it should be the same -- approxi-
11 mately the same revenue per ton mile as is shown there
12 for Butte, Montana.

13 Q. How much?

14 A. \$1.05 per ton mile -- pardon me; it is
15 .54 cents per ton mile; it should be about the same.

16 Q. And I don't know whether you have seen
17 the figures on our cost studies, the C.N.R. and the
18 C.P.R. -- the revenue on the Crow's Nest grain for
19 C.P.R. was 50 cents per ton mile and the Canadian
20 National was 48 cents. So you say this is 54 cents?

21 A. Yes, .54.

22 Q. That is very little more than the present
23 revenue on the Crow's Nest grain?

24 A. But, it is the same as the United States
25 railways charge their shippers on long hauls of pulp-
26 wood.

27 Q. Those are on quantity rates of 25 carloads?

28 A. No, only the one from South Dakota is
29 on the multiple car rate. The one from Butte, Montana
30



1 over to Wyoming and Colorado are not multiple car rates.

2 Q. But you will agree that this pulpwood
3 moving to these American mills -- the by-product would
4 be newsprint?

5 A. You mean the product of the manufacturer,
6 yes.

7 Q. Yes.

8 A. No, it is not newsprint in Wisconsin.

9 Q. Kraft?

10 A. Kraft is some, and there are others,
11 but it is usually pulp used in the manufacture of fine
12 papers.

13 Q. And the movement out from these mills
14 in the United States ---

15 A. There would be a movement out by rail.

16 Q. And they would get the carriage of the
17 products going from the mill?

18 A. Yes, there would be some of that.

19 Q. But the Canadian railways would not get
20 any part of that at all -- none of that would be coming
21 back to Saskatchewan?

22 A. Not that haul, I don't think, but they
23 would have return traffic in goods coming into the area.
24 I think that is important.

25 Q. We also, I might point out to you, speak
26 of this revenue per ton mile referring to the cost
27 studies that have gone in, which showed that the variable
28 cost to Canadian National handling the grain was 77 cents
29 per ton mile, and on the C.P.R. was 74. So, according
30



1 to these figures here it would cost the same amount to
2 move pulpwood as it did to move grain and it would be
3 less than the variable cost?

4 A. I don't think we can assume it would
5 cost the same to move pulpwood as grain, because you
6 use a different type of car, and it is a commodity which
7 you can hardly damage. It doesn't matter if you leave
8 it standing at various points any length of time, al-
9 most. The cars don't have to be kept clean. There
10 are many differences, and I don't think the cost of
11 grain should be comparable to the cost of pulpwood.

12 Q. Would you agree it would be a matter for
13 the railways, which would be marginal, and the railways
14 would have to study to see whether they were getting
15 \$22 per cord?

16 A. I think if the railways can do it and
17 are anxious to conserve that traffic, there must be a
18 good opportunity for profit.

19 Q. I think it is a matter you should discuss
20 with the railways, and if you are speaking to the
21 Canadian National we will be very glad to go into it,
22 but I think you will agree we could not carry it at a
23 loss.

24 A. No, you could not carry it at a loss.

25 Q. If there is some profit in it we would
26 be very glad to have it.

27 A. Yes.
28
29
30



1
2 CROSS-EXAMINATION BY MR. SINCLAIR:

3 Q. Just one question, Mr. Kalmakoff. I
4 have heard that these rates which you have in your
5 exhibit on cordwood, Exhibit 100, from far western
6 states into Wisconsin Rapids were initiated by the
7 railways at the request of the Forestry Conservation
8 officers on account of beetles and blight in certain
9 types of wood in the area, and that it was a distress
10 movement to get this pulpwood out before it was lost.
11 Have you heard that?

12 A. I have heard of that situation in
13 Colorado, only.

14 Q. And that is what started the matter of
15 these low depressed rates from Colorado, and as a
16 result these roads in between, to protect some of their
17 pulpwood cutters, proportionately reduced their rates
18 until such time as this distress movement was completed.
19 Is that a correct summary of the situation?

20 A. I don't think so, because that beetle-
21 killed wood is not moving.

22 Q. It would be ---

23 A. And it has been found to be unsatisfactory.
24 Most of the mills have found it unsatisfactory.

25 Q. This beetle wood movement did take place,
26 I am instructed, and the whole rate structure that
27 results in these depressed rates and the reason for
28 their continuance now, if there is not going to be
29 any more of this distress movement -- it is under
30 review -- have you heard that?



1 A. I have heard that. Most of that wood
2 moving there is green wood from Montana, Wyoming, and
3 the wood from South Dakota is also green wood.

4 Q. My point, Mr. Kalmakoff, is that the
5 history of these depressed rates has affected, as it
6 does, the movement from other points, and my understanding
7 is that it is now being looked at. I also wanted to
8 say to you this: we in Canadian Pacific have had a
9 long association with you and your organization, and
10 certainly our people would be most happy to sit down
11 with your officers to see whether there is a way of
12 assisting the movement of this pulpwood without detri-
13 mental effect on other pulpwood shippers in Canada --
14 which, I am sure, you would not want to take place --
15 and, also, that would allow the Canadian Pacific to
16 make its variable cost and a fair contribution to its
17 other costs out of the movement, and we will arrange
18 to have someone call on you to discuss this with you.

19 A. Thank you very much.

20 MR. McDONALD: One thing, Mr. Chairman. I
21 would just like to refer, for a moment, to the 1958
22 Waybill Analysis on page 22, pulpwood. It gives an
23 average revenue per ton mile in different parts of
24 Canada which run from 1.59 cents to 2.04 cents -- a
25 low of 1.59 cents to a high of 2.04 cents.

26 THE CHAIRMAN: What is the range of haul?
27

28 MR. McDONALD: The range of haul -- the
29 average is short -- average haul per ton, 204 miles.

30 THE WITNESS: Mr. Chairman, on short hauls
like that I do believe that the costs must be much



1
2 It is this long haul traffic we are interested in, and
3 and the long haul rates, where I think the situation
4 is very different.

5 BY COMMISSIONER MANN:

6 Q. Have you made any comparison of car-
7 load minimum weights in the United States versus the
8 one you have here in your Exhibit 1?

9 A. Yes, we have studied them. I am not
10 sure I can recall them exactly, but there is no problem
11 in getting these weights, as far as we are concerned --
12 either the one we now have or the ones that they have
13 in the United States.

14 Q. You have approached the railways with
15 regard to a per cord rate, have you?

16 A. We have mentioned this per cord rate, yes.

17 Q. What are the basic advantages of having
18 a per cord rate?

19 A. Well, the advantage to us would be that
20 it would enable us to ship rough wood which can be
21 produced in the winter, when the need for employment
22 is greater in the northern areas, and it would enable
23 us to produce much more wood than can be done when you
24 have to peel it. Peeling wood is a very tedious job
25 in the summer time; not very many people wish to do it.
26 Therefore, not very much can be produced.

27 Q. Do you store your pulpwood and let it
28 dry?

29 A. Yes, if it is peeled it is stored and
30 permitted to dry.



1 Q. If you had per car rates, could you
2 have a year-round movement?

3 A. Yes, you could, but you would be more
4 likely to confine it to the winter time when it can
5 be more easily produced -- brought out of the woods and
6 put on the car at the same time.

7 Q. You mention your rates to the lake states
8 were proportion rates to the border -- was I right there?
9 I couldn't quite hear the answer.

10 A. I am not sure of those railway terms, sir.
11 I believe they are called proportion rates.

12 Q. When the Canadian railways, do they
13 increase the proportional rate only up to the border?
14 Perhaps I might complete that question. I wondered
15 whether the proportional rate would be increased when
16 there is a Canadian rate increase; and, knowing what
17 happened to the beyond factor and the beyond factor
18 would be increased where there is an American increase
19 and knowing at that time what happened to the pro-
20 portional rate?

21 A. No, nothing is done, in my experience of
22 the past ten years, unless there is an increase in the
23 United States, and, then, the through rate is increased.

24 Q. I see.

25 A. And when there is a general increase in
26 Canada, then the pulpwood rates are usually not touched.

27 MR. SINCLAIR: Mr. Commissioner, I think the
28 confusion arises as they are proportionals based on
29 the lakehead in the United States -- Duluth and Superior
30



1 -- not border proportion.

2 COMMISSIONER MANN: I didn't realize that was
3 the case.

4 Q. Are there any chip movements at all from
5 Saskatchewan?

6 A. No.

7 Q. Have you given it any consideration?

8 A. We have given that consideration. We
9 have discussed that with companies down there, and we
10 have come close to negotiating some arrangement, but
11 again the freight rate problem was the obstacle.

12 COMMISSIONER MANN: Thank you very much.

13 THE CHAIRMAN: Well, now, it is almost five
14 o'clock, and we have three submissions left. We have
15 to leave for Edmonton at 4.10 Monday afternoon.

16 Now, we are most anxious to stay together,
17 but if on Monday at noon it does not appear that we
18 are getting cleaned up with all our submissions, we
19 are going to split the Commission and send half on to
20 Edmonton, which we don't want to do -- we want to go
21 together at all times. So, I would ask counsel, please,
22 to try to cooperate to the end that we can clean up
23 these three on Monday morning, and I suggest we adjourn
24 until nine o'clock Monday morning.

25 MR. DOHERTY: Before we adjourn, might I just
26 say a word. As you are aware, the next submission that
27 we have planned to present to the Commission is the
28 submission of the Regina Chamber of Commerce. We had
29 hoped that His Worship Mayor Baker would say a few words
30



1 associating the City of Regina with that submission.
2 I quite appreciate you are not prepared to go ahead
3 with that submission now, but His Worship Mayor Baker
4 is here.

5 THE CHAIRMAN: Well, we can hear him.

6 MR. SINCLAIR: Before he is called, I wonder,
7 sir, if my friend Mr. Doherty would give some considera-
8 tion to the people who are presenting these last three
9 briefs -- that they may take them as read, in certain
10 areas. I am wondering, in view of the situation,
11 and that everybody now having had the briefs, and will
12 be able to read them this week end, that possibly --
13 well, for instance, the largest brief, as I see it, is
14 the Farmers Union brief. Possibly that can be taken
15 as read?

16 THE CHAIRMAN: I think so far as the Commis-
17 sion is concerned we want that read by Mr. Gleave.

18 MR. SINCLAIR: Well, maybe one or more of
19 these others could be taken as read. Would Mr. Doherty
20 give that consideration?

21 MR. DOHERTY: I can only speak in so far as
22 the Regina Chamber of Commerce is concerned, and only
23 after consulting with them.

24 As you will appreciate, other counsel and myself
25 will be dealing with the Coal brief and the Saskatchewan
26 Farmers Union brief. I will certainly mention it to
27 them, but we will be guided by their instructions.

28 THE CHAIRMAN: We have heard all other farm
29 briefs read. I think we will want this read, too.
30



1 Is Mr. Baker here?

2 MR. DOHERTY: I call on His Worship Mayor
3 Henry Baker.

4 MAYOR BAKER: Thank you. Mr. Chairman and
5 members of the Commission, other members and counsel,
6 ladies and gentlemen: I just want to extend the very
7 cordial and warm welcome to you all to our fine city
8 today. I know it is a little late, but I thought I
9 would come over when our brief was being presented.

10 I want to convey to you, Mr. Chairman, my
11 personal and best wishes on behalf of myself and the
12 citizens of Regina on your appointment to this high
13 office as Chairman of this Commission. We are very
14 proud that we have a gentleman from Regina to assume
15 that office.

16 I also want to congratulate the other members
17 of the Commission who have been appointed as well. I
18 hope that you stay here will be a memorable one.
19 Regina has always tried to be a good host, and I think
20 you will find our people most hospitable.

21 I want to wish your Commission the best in its
22 deliberations and in this survey. I hope, too, that
23 some permanency will come out of this survey that may
24 remain for some time with regard to the rate structure
25 in this country. I hope, too, that perhaps your Com-
26 mission might remain in some permanent capacity, advisory
27 or otherwise, for the sake of our country.

28 And I want to say that while we are not pre-
29 senting a brief ourselves, the Chamber of Commerce had
30



1 submitted this information, or assembled it, and we,
2 as a council, have endorsed it, and Mr. Aiken will
3 present this Monday morning at nine o'clock.

4 So, once again, a very warm welcome to you,
5 and I am very pleased to have had this opportunity
6 of extending it to you.

7 THE CHAIRMAN: Thank you, Mr. Baker.

8 We will now adjourn until 9.00 a.m. Monday
9 morning.

10
11
12 ---Adjournment.

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